



Daily Report

East Asia

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Japan

Revision of Security Guidelines With U.S. Planned

OW0401091896 Tokyo KYODO in English
0848 GMT 4 Jan 96

[FBIS Transcribed Text] Tokyo, Jan. 4 KYODO — The Defense Agency plans to revise the guidelines for bilateral security cooperation with the United States for conducting a wider range of joint security activities, government sources said Thursday [4 January].

The new guidelines, under the first revision in 18 years, will be drawn up by the end of the year. They will set the basis for joint action in the event of natural disasters and in international conflicts in areas around Japan, the sources said.

Japan has already started talks with the U.S. over the changes, looking to strengthen the bilateral security ties.

Also to be spelled out in the new defense policy manifest will be possible Japan-U.S. cooperation in UN peacekeeping operations, they said.

The essence of the guidelines, which prescribes joint action in the event Japan is attacked, will remain intact.

The planned revision will be in line with Japan's new national defense program outlines approved by the cabinet last November.

Any proposal for joint action with the U.S. in the event of conflicts in the area around Japan, however, is likely to stir controversy over its constitutionality, observers said. Japan's constitution prohibits the use of the right to collective self-defense.

A Defense Agency official said a variety of cases for such conflicts will be considered.

The agency will focus on Japan's participation in a multilateral blockade based on a UN resolution and the handling of a large number of emergency refugees who might come to Japan.

The agency apparently has in mind a scenario similar to the one involving suspicions about North Korea's nuclear program in 1993.

At that time, the government discussed what kind of measures Japan could have taken within the limits of the constitution. The discussions have since been suspended since tensions over the program have declined.

The new guidelines will also emphasize Japan-U.S. cooperation in UN peacekeeping actions because it is viewed as part of the "global partnership" between the two countries.

The actual substance of such cooperation, including the human and material factors, will be outlined in the document.

Another important point in the guidelines will be joint Japan-U.S. cooperation to draw China and North Korea into international discussions on security issues.

Ota Reiterates Intent To Cut U.S. Bases

OW0401050096 Tokyo KYODO in English
0430 GMT 4 Jan 96

[FBIS Transcribed Text] Naha, Japan, Jan. 4 KYODO — Okinawa Gov. Masahide Ota reiterated Thursday [4 January] his strong determination to fight for a cut in the U.S. military presence on the southwestern Japanese island.

"I want to continue to appeal to the Japanese and U.S. Governments this year not to make the U.S. bases permanent nor strengthen them," Ota said in a New Year speech to prefectural government employees.

The U.S. military presence in Okinawa has been under fire from local residents since the rape last September of an Okinawa schoolgirl, for which three U.S. servicemen are now on trial.

The rape has fueled local calls for a cut in the U.S. bases in Okinawa, and Ota has refused to sign documents needed for the continued compulsory lease of land to the U.S. military.

Prime Minister Tomiichi Murayama has sought a court order to force Ota to sign the documents and the case is now before the Naha branch of the Fukuoka High Court.

"As all of you know, the situation is severe," Ota said in reference to the court battle over his refusal to sign the documents.

"But I feel there are bright signs for a solution to the base issue," Ota said, apparently referring to the establishment of a panel involving central government and Okinawa Prefectural Government officials to discuss the issue.

Okinawa, about 1,600 kilometers southwest of Tokyo, accounts for only 0.6 percent of Japan's total land area, but has 75 percent of U.S. military facilities in Japan.

Eto To Make 'All-Out Efforts' To Cut Bases

OW0401021896 Tokyo KYODO in English
0138 GMT 4 Jan 96

[FBIS Transcribed Text] Tokyo, Jan. 4 KYODO — Defense Agency Chief Seishiro Eto said Thursday [4

January] he is determined to make all-out efforts to reduce the U.S. military presence in Okinawa.

"Japan and the United States must cooperate in dealing with the issue," Eto said in a recorded new year speech broadcast within the agency.

Eto also noted that he is ready to cooperate with the U.S. in procurement of defense equipment and research and development over the Theater Missile Defense (TMD) system — a U.S. proposed system designed to cope with more than one approaching missile.

In other remarks, Eto said it is of great significance for Japanese contributions to the Middle East peace process to dispatch Self-Defense Forces staff for a UN peacekeeping mission in the Golan Heights.

The Japanese troops are slated to replace Canadian peacekeepers there in February.

Article Previews U.S. Political Scene in 1996

*OW0401005396 Tokyo ASAHI SHIMBUN
in Japanese 1 Jan 96 Morning Edition p 11*

[Article by Yoichi Funabashi, director of ASAHI SHIMBUN U.S. General Bureau: "U.S. Entering New Diplomacy Season — Russia Policy To Be Focal Point"]

[FBIS Translated Text] The new year is one U.S. President Bill Clinton is looking forward to — 1996 is the year of the U.S. presidential election. President Clinton has already proved himself one of the best election campaigners. However, 1996 will also be a year of diplomacy for the United States and Mr. Clinton is not yet fully confident of himself in this arena. The U.S. diplomatic schedule may give him a hard time.

The fate of the 20,000 troops dispatched to peacekeeping operations in Bosnia-Herzegovina holds sway over the result of the 1996 presidential election. If things goes wrong, Bosnia-Herzegovina may become a Vietnam-like "bog," and a recurrence of the "miserable pullout" from Somalia may deal a fatal blow to the Clinton administration.

With the election schedule in mind, Mr. Clinton has declared that the Bosnia-Herzegovina operation will last for one year only. As a precautionary measure, he has said that certain amount of damage is inevitable in this kind of operation. The U.S. people, however, who now lean toward a kind of neo-Monroeism, may urge him to withdraw all U.S. troops from Bosnia-Herzegovina if there are casualties. In fact, House members, younger Republicans in particular, strongly opposed the dispatch of troops.

But things are still going well for Mr. Clinton. The U.S. economy is brisk. The stock and bond markets

are stable, too. In budget debates with House Speaker Newt Gingrich, Mr. Clinton successfully portrayed Mr. Gingrich as a "heel" who would "sacrifice the weak in cutting the budget." The Republican boom of the 1995 off-year election is over. Even in diplomatic affairs, Mr. Clinton has gained some points, through the U.S. initiative in the Middle East peace process, its proposed settlement of the DPRK (North Korean) nuclear issue, and its mediation in the Northern Ireland peace talks.

Nevertheless, experts are less generous in evaluating the achievements of Clinton's diplomacy. Ratings by FOREIGN AFFAIRS, a U.S. magazine specializing in diplomatic issues, include a "B" (from Princeton University Professor Wolman) and a "C" (from former FOREIGN AFFAIRS Chief Editor Highland). Relations with Cold War allies — West Europe and Japan — are not very good, and new frameworks of coexistence with China and Russia have yet to be built.

In particular, Mr. Clinton will have difficulty in reconstructing relations with Russia, which, since the year-end election, is rapidly entering the "post-Yeltsin" era. Russia will certainly deviate from its planned "westernization" which it is pursuing through the building of "democracy and markets." Johns Hopkins University Professor Mandelbaum notes that if Russia feels isolated by a rapid expansion of NATO, "its consequence would be counted as one of the top three errors of U.S. diplomacy in the 20th century — following its boycott of the League of Nations and its participation in the Vietnam war."

In the Asia-Pacific region, the Clinton-led United States has been wasting energy in ideological conflicts with China over the human rights issue, and with Japan over trade friction. Mr. Clinton is scheduled to visit Japan in April to "reconfirm" the Japan-U.S. alliance, and he will also attend the summit talks under the Asia-Pacific Economic Cooperation (APEC) forum in the Philippines later this year. However, the White House does not accord either of these events high priority.

Frankly speaking, the White House thinks the cost-performance of trips to the Asia-Pacific region is quite low in the sense that U.S. voters do not feel Mr. Clinton's achievements in such a distant region are worth much. And in this election year, he must be more conscious than usual of his ratings.

Group Eyes Shipping Route to Europe via Arctic

*OW0401090696 Tokyo KYODO in English
0838 GMT 4 Jan 96*

[FBIS Transcribed Text] Tokyo, Jan. 4 KYODO — A Japanese organization is looking into the possibility

of opening a Japan-Europe shipping route via the Arctic Ocean to save shipping hours, officials of the organization say.

The Ship and Ocean Foundation said it estimates such a route would have numerous economic merits as it would halve the distance of shipping via the Suez Canal.

The foundation believes the use of an ice-resistant freighter will pave the way for the new route in the summer season without relying on an icebreaker.

It reached this conclusion after conducting a test cruise between Yokohama and a Norwegian port via the Arctic Ocean last summer by chartering a Russian ice-resistant freighter.

The Russian freighter Kandalaksha left Yokohama on Aug. 1 and arrived at the Norwegian port Aug. 28 after a 13,000-kilometer voyage that involved a study of the adverse effects of ice on the ship, the officials said.

They say the voyage would have only taken only about two weeks if the study was not being carried out. At present, it takes about a month for a containership to sail from Japan to Europe via the Suez Canal.

Severe weather conditions and Soviet regulation of the route during the Cold War era shut commercial vessels other than Soviet ones out of the area.

At present, Russian commercial ships use the route with the help of icebreakers from June to early September.

IFB Head Sakakibara's Wildest Remarks Reported

962B0011A Tokyo SHUKAN BUNSHUN in Japanese
23 Nov 95 pp 42-45

[Unattributed article: "Bureau Chief Sakakibara Continues To Make 'Wildrest Remarks'"]

[FBIS Translated Text]

Bombastic Statement Concerning Daiwa Bank Incident Which Severely Upset the United States International Finance Bureau (IFB) Director General Eisuke Sakakibara severely upset the United States by asserting, "The Finance Ministry did not act improperly" in connection with the Daiwa Bank incident. Supposedly, this key role player in missions such as modification of the strong-yen trend and disposition of the Daiwa Bank incident successively uttered wild and intemperate statements such as "Everyone in the current government is stupid" and "Next year, we'll ally ourselves with China," reflecting an extreme decline in the stature of Finance Ministry bureaucrats.

"Everyone in the current government and ruling coalition parties is stupid. Hashimoto (minister of interna-

tional trade and industry) and Murayama (prime minister) are totally ignorant. The current government conducts itself in strict conformance with Ministry of Finance scenario."

"The United States should rethink its position relative to security in the post-Cold War period. If the United States insists on assuming a highhanded position, next year, Japan may form an alliance with China."

Such outlandish statements which even rivaled those of fired former Defense Facilities Administration Agency Director General Hoshuyama, who commented, "Prime Minister Murayama is not very bright," were uttered by International Finance Bureau Director General Eisuke Sakakibara of the Ministry of Finance. He coordinated with the United States to induce a weaker yen when the yen reached new highs this summer and was referred to in the foreign press by the nicknames, "Magic Eisuke" and "Mister Yen."

Such wild statements were made on 11 May 1995 during an evening dinner held at the residence of then-U.S. Embassy Economic Counselor Foster.

"The dinner resembled a Japan-U.S. negotiating session attended by Japanese and U.S. intellectuals representing the Ministry of Finance, Bank of Japan, and think tanks. At that time, Sakakibara was chief of the Fiscal and Financial Research Institute" (according to an attendee at the dinner).

It is said that he once spoke exclusively in English when he negotiated with Ira Wolf (former assistant U.S. Trade Representative) on Japan-U.S. talks concerning the insurance sector.

"He is known as a 'tough negotiator' among U.S. government officials. As director general of the International Finance Bureau, in connection with the revision in the strong-yen trend, he swiftly restored the dollar to the 100 yen range, revived confidence in the stock market, and brought a sigh of relief to the Japanese economy" (according to a business news reporter).

Within a Finance Ministry plagued by incidents such as the financial engineering and illegal entertainment scandals of the two credit unions, successive bank failures, and Daiwa Bank case, Sakakibara appeared to be the only rising star, but the other side of his personality reflected the "wildest statement maker of the Ministry of Finance."

Even in connection with the Daiwa Bank case, he committed a slip of the tongue.

"I've Already Notified Summers."

Sakakibara asserted following the telephone discussion between Finance Minister Takemura and Treasury Secretary Rubin on the 12th of last month, "Finance Minister Takemura did in no way apologize to Treasury Secretary Rubin. There was nothing wrong in the actions taken by the Ministry of Finance."

In connection with the fact that it took six weeks before a report was made to the United States after receiving a report from Daiwa Bank, he explains the situation by saying, "There are cultural differences between Japan and the United States. It seems he wanted to say that, essentially, the difference is that in the United States, indictment is followed by investigation, while in Japan an announcement is made after a thorough inquiry."

"U.S. law provides that a report must be made within 30 days when an illegal action is uncovered. It is clear that the Daiwa Bank violated that rule and it is probably a fact that guidance was furnished by the Ministry of Finance. If such actions were not mistakes, what else could you call them?" (according to a financial journalist).

Those statements were quoted the next day in U.S. newspapers beginning with the New York Times and attracted strident criticism, such as "The Ministry of Finance was a coconspirator in the plot to cover up," and "In fact, the Ministry of Finance was the real culprit."

Further, Sakakibara had even played a behind-the-scenes role in the information war concerning the Daiwa-Sumitomo merger rumors.

During a press conference held on 3 November when information on the Daiwa-Sumitomo merger was leaked, Sakakibara, who sat in with Banking Bureau Director General Yoshimasa Nishimura, made the following off-the-record statement.

"I have already notified Summers" (deputy treasury secretary) (about the merger).

The significance of this statement is crucial. One economic journalist displays his anger in saying, "He speaks of a merger, but Nomura Securities, which is the lead shareholder of Daiwa Bank, was not consulted and the presidents of both banks have not issued any statements on a merger. At this point the information is not authentic. This is a case where such information is deliberately released by Ministry of Finance authorities. Is this not a genuine case of information manipulation?"

"This would lead to the birth of a huge bank, would require coordination with other city banks, and would it not violate the provisions of the Antimonopoly Law? It would seem that there would be a need for

deliberations by the Fair Trade Commission. Is the Ministry of Finance in a position to make decisions in the absence of such deliberations? The issue poses numerous questions."

In the absence of a merger with the Sumitomo Bank, Daiwa Bank would have faced difficulties because of the disposition announced by U.S. financial authorities.

"A run on the bank would have been unavoidable. When one considers that potential, you could call the plot by Director General Sakakibara a 'delicate play representing a violation of rules'" (according to a financial source).

However, repeated failures of financial institutions indicate that a limit has been reached relative to "temporary fixes" administered by the Ministry of Finance.

"Basically, it is strange that Sakakibara should speak out on the Daiwa Bank issue," remarks one reporter assigned to the Ministry of Finance. He continues, "Basically, over 90 percent of the issues concerning the Daiwa Bank incident fall under the jurisdiction of the Banking Bureau. The International Finance Bureau exercises only a peripheral concern. However, the Banking Bureau had its hands full with the disposition of the Cosmo, Kizu Credit Union, and Hyogo Bank cases. Additionally, a fatal factor was that Banking Bureau Director General Nishimura lacks experience in overseas areas and was unable to grasp the significance of the Daiwa incident. Thus, International Finance Bureau Director General Sakakibara who maintains a channel of communication with the U.S. Treasury Department had no choice but to speak out on the issue. Further, utterances by Sakakibara, who has a habit of making misstatements, in this situation led to the recent slip-of-the-tongue incident."

"Ring Leader of Economic Friction" "Traitor"

SANKEI SHIMBUN Special Editorial Committee member Yoshihisa Komori, stationed in Washington, D.C., commented, "The United States is more upset with the Ministry of Finance than with Daiwa. Even within the Bank of International Settlement (BIS), the financial authorities of the member nations have an agreement that they will provide mutual and early notification whenever an illegal incident is uncovered. The recent situation is tantamount to committing fraud and insisting that they are speaking of Japanese culture." Komori adds as a future outlook, "If the Treasury Department really becomes upset, there is the possibility that real damage will come in the form of rejection of any smooth coordination with Japan concerning interest rates and foreign exchange. Disadvantages arising from such developments would be immeasurable."

Economic analyst Richard Koo expresses concern saying, "Just recently, I attended a conference of monetary authorities of the world's nations, but I was given the impression that there was an explosion of wrath against the Ministry of Finance. If the Ministry of Finance persists in its current posture, it could invite a situation in which no country will notify Japan whenever a similar incident occurs in the future. Japan has put itself in a position where it will not be able to complain even if it is burdened with nonperforming loans in the international financial markets."

When it comes to commentator Taro Yayama, he expresses raging anger saying, "If we disregard international financial system rules, saying 'There are cultural differences,' we should forget about financial deregulation and suspend business operations in the United States. Finance Minister Takemura and Banking Bureau Director General Nishimura both admit to having made a mistake, but Bureau Chief Sakakibara, who is neither a minister nor an officer directly in charge, insists that that is not the case. There's something wrong here. Further, Sakakibara is diametrically opposed to deregulation which is one of the primary goals of the Murayama cabinet. Individuals of such an ilk are ring leaders of economic friction. In fact, they can be called traitors."

Just what kind of individual is this Sakakibara, who we would like to refer to as an "irresponsible statement maker?"

He was born in Kanagawa in 1941. He completed work as a graduate student of the economics department of Tokyo University. The chain of events leading to his appointment to the Ministry of Finance is filled with intrigue.

When he was told by friends, "There's no way you'll qualify for appointment to the Bank of Japan," he challenged himself to take the employment examinations with the bank. He passed with flying colors, but since the Bank of Japan was not his primary choice, he consulted a friend in the Ministry of Finance. Employment with the Ministry of Finance was strongly recommended and he went to the ministry for an interview, although he had not passed the National Civil Service examinations. However, he was favorably received by a Takagi (Fumio; then Minister's Secretariat and former president of the National Railways) and was "endorsed for employment in the following year" (according to a friend).

At one time, he aspired to become a politician and was about to run as a candidate from the New Liberal Club (1977), only to abandon the idea. He was placed on loan to the Ministry of Education and became an assistant professor of Saitama University.

Hitotsubashi University professor Yukio Noguchi, known for his books titled, *The 1940 System* and *'Super' Reorganization Law*, was a fellow faculty member at Saitama University. He was a friend in high school and is also a former employee of the Ministry of Finance.

"He is a first-class scholar. His doctoral thesis was published in the American Economic Review (AER), but AER is an authoritative magazine, and publication of a thesis in that magazine provides for recognition as an international scholar. Further, he maintained an extraordinary scholastic record while a student at the University of Michigan, and Japanese students with outstanding records have always been referred to as those following the footsteps of Sakakibara. I think he could have made a fine politician, but there is one attribute that he lacks. That happens to be the inability to assume a humble attitude toward others (laugh)."

"You Can Play With Kokeshi Dolls and Bamboo Flying Tops."

Professor Noguchi comments on Sakakibara as a "person who is capable and presumptuous."

"In his younger days, an article written by him was published in a foreign economic magazine. However, his title was mistakenly published as being 'deputy director general of the of the Banking Bureau.' One day, a foreign journalist who had read the article requested an interview and Sakakibara checked on his superior's (deputy chief) schedule and arranged for the interview to be held in the deputy chief's absence in the latter's receiving room as if he were the real deputy chief" (Professor Noguchi).

He is a truly paradoxical government official, but he has spent many years in the United States.

His first sojourn as a student in the United States was during his days at Hibiya High School. Later, he spent three years at the University of Michigan from his second year of service with the Ministry of Finance. For five years from 1971, he was placed on loan to the International Monetary Fund (IMF), and served as a visiting professor at Harvard University in 1981. He made steady progress in cultivating ties with Americans, such as Deputy Treasury Secretary Summers who was a fellow faculty member at that time.

He sold himself as tough negotiator Sakakibara two years ago during the Japan-U.S. economic frame talks. Sakakibara, who was in charge of the insurance sector as deputy director general of the International Finance Bureau, responded to the U.S. proposal hand-delivered to him by U.S. Trade Representative Office Japan

Department Chief Charles Lake, by commenting, "If I were a Harvard University professor and you had submitted this report as a student, I would have given you a D." He added, "You would have made a loyal and outstanding follower of General of the Army Mac Arthur," displaying himself to be a bizarre person, sarcastically referring to the proposal as highhanded and typical of the occupation forces. He makes provocative statements of this nature which verge on the brink of improper statements but succeeded in completing insurance sector negotiations before all others.

"Sakakibara's capabilities were recognized by Summers and Rubin (current treasury secretary), an intimate associate of Summers. Reportedly, Sakakibara's personal connections with the Treasury Department were established at this time" (according to a financial reporter).

Sakakibara, who asserts the superiority of the Japanese economic system and opposes deregulation, is a "controversialist," who has published books such as *Japan Which Has Transcended Capitalism* and *Japanese-Style Capitalism as a Culture*.

"His cherished argument is that deregulation comprises an American system which the United States wishes to impose upon Japan. He speaks in a rough-and-tumble fashion as he remarks, They say 'if we establish self-service gas stations under deregulation, gasoline will become cheaper, but if someone sets a fire, they'll certainly cry for immediate establishment of controls because of the hazards.'"

Once, he spoke of Japanese culture and said, "Japan has its Japanese culture. We don't need Toys R' Us (the huge U.S. toy store chain). Japanese kids can play with traditional toys." And, when questioned on whether there are any traditional toys that modern kids might play with, he wore a serious countenance and said, "Yes. There's the kokeshi doll and the flying bamboo top" (according to one of his acquaintances).

Recently, Sakakibara has intensified his interest in Asia, compares Japan's capitalism to that of Europe and asserts that "It is the United States that is anomalous." Such thinking has led to a case for revamping Japan-U.S. relations as reflected in the quote made at the beginning of this article and he is now considered a "Neo-Nationalist."

"Basically, Sakakibara's position within the Ministry of Finance was very unique. He makes frequent appearances in live shows such as 'Breaking News Till the Morning Hours,' and fills the role of behind-the-scenes Finance Ministry spokesman. He reveals the true sentiments within the Ministry of Finance by openly stating policy criticisms that no one else would venture. In other

words, he played a cathartic role. Put another way, there is the risk that he would commit a slip of the tongue and I thought he would be unfit to serve as a bureau director general" (financial journalist).

He is scholarly and was thought to have the potential of serving his end-of-career position as chief of the "Fiscal and Financial Research Institute." However, a major turnaround took place.

The change came about when, in August 1994, he was assigned additional duties as director general of the International Finance Bureau and designated as the chairman of the Japan-U.S. negotiations.

"The Budget Bureau which prevails in the Ministry of Finance attracts all of the more capable employees. So much emphasis was placed on the budget career field that administrators capable of functioning in the international arena were not nurtured. That deficiency had to be compensated and it was then that 'scholar Sakakibara' appeared on the scene" (previously mentioned financial reporter).

Will We See the Appointment of a "Slip-of-the Tongue Financial Officer?"

In June 1995, he was appointed director general of the International Finance Bureau.

"Reportedly, he was strongly endorsed by Finance Minister Takemura. Takemura prescribed a requirement for a strong International Finance Bureau, capable of performing at a high level. Even concerning the strong yen, the plan for dealing with the situation had already been developed, and all that remained to be done was the implementation of the plan, backed by a figurehead currency expert. That turned out to be Sakakibara" (previously mentioned financial reporter).

In the past, there was no other International Finance Bureau director general who attracted so much attention as Sakakibara.

"Originally, the top position in the International Finance Bureau should have been filled by Finance Officer Takatoshi Kato, instead of Sakakibara. However, Sakakibara treats Kato like a genuine idiot.

This interpretation exists because on the very day that Finance Officer Kato had previously scheduled a press conference on the issue of the strong yen, Sakakibara abruptly opened a separate press conference. And, that conference was held to contradict Finance Minister Takemura's statement (foreign exchange markets) have swung adequately to the weak yen side, by announcing, 'The swing toward a weak yen is far from adequate.' Kato was raging mad" (a separate reporter assigned to the Ministry of Finance).

With respect to this summer's strong-yen actions, he remarked:

"The Japanese economy is now undergoing a masochistic depression."

"The markets are still unable to extricate themselves from the mind set concerning worship of the strong yen which states that a strong yen will lead to a better economy."

By repeatedly using such novel language, he reportedly directly encouraged institutional investors such as life insurance companies to purchase U.S. government bonds. Such action was wayward and involved going over the heads of the Banking Bureau's Insurance Department.

We can only refer to him as a sensational bureaucrat, but he himself refuses to be interviewed, saying, "I do not respond to requests for interviews by magazine reporters."

That being the case, one wonders why he had to make statements such as, "There was nothing wrong in the actions taken by the Ministry of Finance," in connection with the Daiwa Bank incident over which he exercises no direct jurisdiction.

"The prospect of Sakakibara becoming a finance officer in the next personnel reshuffle has risen because of his success in altering the strong-yen trend. It appears that he was being overly zealous in ensuring himself an appointment as finance officer by obligating the ministry for his recent performance" (previously quoted financial reporter).

Sakakibara is a "Bombshell Bureau Director General" who truly symbolizes the decadence of the Ministry of Finance.

Path To Regain Economic Vitality Viewed

962B0012A Tokyo HATSUGENSHA in Japanese
Sep 95 pp 10-17

[Article by Eisuke Sakakibara: "Extricating Japan From Masochistic Economic Depression"]

[FBIS Excerpt] *As can be typically seen in the strong yen, self-entrapment actions based on ill-conceived perceptions are exacerbating the Japanese economy. Economic vitality can be restored only by liberating Japan from such masochism and acting in a calm and strategic manner.*

Destruction of Systems and Loss of Confidence

Reportedly, a major feature of the current economic recession or depression is that it is not of a simple cyclical nature, but contains structural issues. This is probably

the literal case. However, at issue is the substance of the so-called "structural" elements. Many commentators and the majority of the mass media theorize, based on a variety of "theories concerning Japanese anomalies," that the Japanese economic system or political and social systems have fallen into a situation where they cannot coexist with overseas systems amidst globalization, thus making it impossible for Japan to extricate itself from the depression without a drastic "reform" or "revolution" in Japanese systems. "Revolutions," as expected, bring about the destruction of systems. Setting aside the question of whether full-scale "revolution" or system destruction is really taking place, as a minimum and as a matter of perception, such destruction is being treated as being logical or desirable and many commentators are making abusive use of concepts such as "price destruction" and "wage destruction" in diligent efforts to earn publication royalties.

However, at issue is the fact that such "revolutions" or destruction of Japanese systems are not being questioned in terms of whether or not they are appropriate solutions to truly overcome "structural depressions" and the fact that we face a situation in which assertions are merely being made concerning ideological deregulation and political and administrative reform based on simple theories of Japanese anomalies and supremacy of market principles. Since the proposed solutions were not the result of calm, pragmatic analysis of reality, many of the proposed solutions were impractical or even if they were implemented, most of them would have proven ineffective, while the mass media and commentators have charged with increasing intensity that the responsibility for such failures was the result of lack of political leadership or bureaucratic resistance.

However, the question is, is there a real need for the Japanese economy to undergo such a "revolution?" And, do Japanese consumers and salarymen truly yearn for system destruction? The answer is probably an unequivocal No. Setting aside certain elements of extreme, irresponsible commentators and certain segments of the sensationalist mass media, the majority of Japanese, amidst the turmoil of the century's end, appears to prefer reform over revolution and stability over destruction. However, such so-called mass hysteria has been accompanied by psychological entrepreneurial atrophy and a total cooling in consumer sentiment. Japanese anomalies—mass hysteria leading to system destruction—loss of confidence and deterioration in entrepreneurial and consumer sentiment have all played a role in pushing the Japanese economy, especially since the beginning of 1995, to decline into a "masochistic depression" lacking a so-called escape hatch.

Amidst such a self-created occlusive situation, entrepreneurs and consumers have shunned "revolution," avoided risk to the hilt, have quietly dedicated themselves to business restructurings, and have assumed very passive defensive measures concerning family budgets.

Japan Under a Mind-Set

A typical phenomenon of the "masochistic depression" is probably the rapidly rising strength of the yen from the beginning of the year. A common notion circulated in certain quarters was that the cause for the strong yen was attributable to speculation from overseas sources centered on hedge funds in New York or that the U.S. Government was taking action to encourage a strong yen, but such notions were completely contrary to fact. Many New York fund managers, such as George Soros, have been consistently bullish on the dollar and have basically been aggressive buyers of the dollar, while a tally by one foreign exchange dealer shows that Treasury Secretary Rubin has made more than 20 statements encouraging the purchase of dollars. Further, on 10 August, Secretary Rubin clearly stated the United States now and never in the past has used foreign exchange as a tool for trade negotiations, nor does it intend to do so in the future.

In reality, from the beginning of this year, it was the Japanese who acted as dollar bears, i.e., sold dollars consistently. Moreover, it was the exporters—who suffer the most from a weak dollar and strong yen—and the institutional investors who actively sold dollars and exacerbated their own plight. If such was not masochism, what else could it be? [passage omitted]

They claimed that markets in a Japan, representing an anomalous nation, are "structurally closed," and that as long as such a situation continued, the international payments surplus would not decline and that as long as the international payments surpluses continued, the strong yen would persist into the future. This proposition is wrong in two respects.

First, it is difficult to demonstrate the closed nature of Japanese markets by means of corroborative substantiation, but if we are to blame the closed nature of markets for the surpluses, in the least, how are we going to explain the international payments deficits of the 1950's and 1960's when the Japanese markets were more rigidly closed than they are today? Second, of greater significance is that the notion that an international balance of payments surplus leads to a strong yen is wrong on a theoretical or corroborative basis. Orthodox foreign exchange theory states that foreign exchange is influenced in the short term by expectations concerning the future of foreign exchange and the financial situation, while it is affected in the long term

by fundamentals, and actual supply and demand is impacted by foreign trade to the extent of 5 percent and by capital transactions to the extent of 85 percent. Further, during the recent six to seven months, even the German mark rose in value together with the yen (rising temporarily from 1.5 marks to the dollar to 1.3 marks), but the German international balance of payments has always reflected deficits since the merger with East Germany. [passage omitted]

Strong Yen and Cheap Stock Prices Influenced by Talk of Anomalous Japan

The masochistic structure typically associated with the strong yen was conspicuous even in relation to the stock market. In other words, Japanese markets represent an anomaly in that 60 to 70 percent of stocks outstanding are held by financial institutions and corporations through interlocking ownership, whereas shareholder composition should be centered around individual investors and pension funds as is the case in the United States, while, in that sense, on the other hand, considerable belief lies in the theory that selling by institutional investors is structurally unavoidable and that attendant declines in stock prices are to be expected and desirable on a long-term basis. First, it is difficult to unilaterally conclude that the Japanese shareholder structure is abnormal. To begin with, among G5 nations individual stock ownership exceeds 50 percent only in the case of the United States, while compared to Japan's 23 percent, France stands at 34 percent, England at 20 percent, and Germany at 17 percent, making the United States abnormal in this respect. (See article titled, "Is Japan Truly Abnormal?" by Eisuke Sakakibara in the August 1995 issue of CHUO KORON).

Moreover, stock ownership by corporations and financial institutions in Germany and France are about on the same level as Japan, while ownership by financial institutions and industrial corporations is 66 percent in Japan and 64 percent in Germany. The situation reflects the fact that the supply of long-term capital for corporations is largely furnished by banks, and nothing dictates Japan must eventually follow the U.S. pattern. Financial systems in Germany and Japan, on the other hand, complement educational and employment systems (of a long-term, stable nature) and as overall systems reflect commensurate compatibility and logic.

Further, declining stock prices simultaneously accompanying the strong-yen trend, in a way, were triggered by the need for institutional investors to sell stock to create profits to avoid a drop in asset values because they were forced to account for appraisal losses triggered by the strong yen. Institutional investors suffering from a so-called major decline [sic] in undeclared losses be-

cause of the disposition of stock and declining stock prices faced a situation in which it became increasingly difficult to assume risks and caused a further decline in foreign bond investors, leading to a quagmire consisting of a strong yen and cheap stock prices. On the other hand, a decline [sic] in undeclared losses because of cheap stock prices have had a strong impact on the behavior of financial institutions. The decline in capital resources has had the effect of further worsening difficulties for banks in aggressively disclosing and depreciating nonperforming assets, postponing action on such problems, leaving problems for internal disposition, and further aggravating the financial situation.

Whether it be institutional investors or banks, we should understand that a minimal view in macroeconomic terms dictates that problems can be resolved only if we assume risk or take action with confidence, but reality is that taking contrary action has caused problems to worsen and the overall economy to decline into a stalemate.

Do Not Destroy Japanese Employment Systems

Frequent cries are being heard for a revision or restructuring of Japanese employment practices in the manufacturing and distribution industries. However, revisions to restructure such employment practices represent a very dangerous double-edged sword. According to a recent article by D. Yankelovich titled, *Three Destructive Trends: Can They Be Reversed?* (Presented to the National Civic League's 100th National Conference on Governance, 11 November 1994), the United States has experienced a split in the middle class in terms of a collapse in past morality and an expansion in income and asset divergence and is confronted with a crisis in the form of a major social collapse, but in reality such phenomenon is probably progressing quietly not only in the United States, but Japan as well. Especially, if there is a collapse in the long-term employment system serving as the basis for stability in Japanese society and relatively egalitarian wage systems are modified into wages based on capabilities, there will be an intensifying destabilizing effect on the future of salarymen including the blue collar work force which forms the core of Japanese society and an unavoidable, gradual negative effect on consumer sentiment. Certainly, it is a fact that a series of incidents have occurred which have put a damper on consumer sentiment, such as the Kobe earthquake and sarin gassing. However, it is probably employment insecurity that is having the foremost effect in cooling consumer sentiment.

Restructurings are probably necessary for corporations. However, I cannot accept arguments for restructurings that disregard the starting point for Japanese corporations which speak of corporations which exist because

of their employees. Even in this respect, it is apparent that a framework exists in which microeconomic adjustments are being made of a masochistic nature in disregard of macroeconomics and having a negative impact on the overall economy..

U.S. corporations such as General Electric and Microsoft have certainly made major recoveries based on restructurings. And, it is probably desirable that Japanese corporations respond directly with such challenges and endeavor to revitalize corporations and society. However, doing so and destroying Japanese-style corporate systems and employment customs and aiming for "revolutions" are two entirely different issues. It is probably impossible for Japanese corporations or Japanese managers to convert themselves to U.S. systems, and even if they should make some progress in Americanization, it is obvious that Americans would be at a greater advantage in operating U.S.-style systems. The mutual learning process is always beneficial, but in the end, Japanese corporations must compete with the United States, Europe, Asia on the basis of Japanese-style strengths. [passage omitted]

One wonders just how such a posture can be realized if we were to destroy on the one hand the highly competitive, efficient Japanese employment system as advocated by Kazuo Koike (in his article titled, *Japanese Employment Systems* published in TOYO KEIZAI SHIMPOSHA of November 1994). Rather, management philosophy would probably dictate that we consider how to apply and utilize the strengths of Japanese employment and wage systems in the new environment.

Conversion to an Aggressive Strategy

Now, if we are to consider the current situation as a "masochistic depression," the foremost solution for extricating ourselves from the depression would be to discard masochism and emancipate ourselves from the long-term structural depression mind-set. Japanese intellectuals and the mass media have since the Meiji era persisted in a masochistic trend to a large degree. Complexes relative to Europe and the United States and the various forms of "theories concerning the Japanese anomaly" which served as specific manifestations of such complexes existed as an underlying current of such masochistic trends. And, now at the end of the century, such masochistic "theories concerning anomalies" have peaked and thrust the economy into a "structural" depression.

In contrast to pessimistic, masochistic intellectuals and the mass media, industrialists of the real world have maintained modest optimism. However, presently, it appears that everyone including industrialists of the

real world have been temporarily overcome by massive masochism. The pursuit of "revolution" and destruction on the part of a portion of extremist intellectuals and the mass media would pose no problem if such actions were legal. However, if a considerable number of industrialists of the real world begin to welcome "price destruction" and espouse the destruction of Japanese-style employment practices, the picture changes. What is now required of responsible leaders is that they do not engage in collaboration with the mass media and espouse "revolution," but separate themselves from masochism, assume necessary risks, and aggressively and pragmatically deploy policy in their respective sectors.

For example, a more concrete approach in the foreign exchange sector would be to extricate oneself from the Richard Koo-type mind-set over international balance of payments surpluses and the strong yen, aggressively assume foreign-exchange risks, and deploy a global portfolio strategy. Issues of greatest importance to fund managers of the future will entail the volume and strategy by which risk assets such as foreign currencies and stocks will be held and sold in the future. Japanese frequently have the tendency to summarily dismiss New York hedge funds as vehicles for "speculation," but based on this writer's knowledge, many of them are managed by fundamentalists who do a thorough job of analyzing market movements and actions of government authorities. And, of utmost importance is that such funds conduct calm and detailed analyses and assume bold risks when they conclude that such action is necessary. In a competitive market, it is impossible to establish an adequate return without assuming risks. The story was different during the high-growth periods, but current conditions dictate that Japanese investors must assume risks. Moreover, the huge accumulations of Japan money are such that they now control market movements. Unless Japan assumes an independent strategy and assumes risk, it will forever place itself at a disadvantage.

I can definitely understand that the Japan-style salary-man society has difficulty in assuming strategic risks. However, if that is the case, all we need to do is modify the system and moreover make changes in personnel. Superior human resources should be available within Japanese organizations. Essentially, is it not a case where leaders must invest sufficient capital in risk analysis and cultivate an environment for taking strategic risk?

Even with respect to the stock market, the question arises, why is so much emphasis placed on the elimination of interlocking stockholdings? Essentially, it is important that corporations generate adequate profits and

distribute dividends, and the maintenance of such conditions should be sufficiently feasible under Japanese-style corporate governance's. Certainly, it is a fact that the balance between stock prices and dividends was destroyed when issuance of secondary stock offerings at market prices became common practice, but such imbalances can be compensated for through appropriate system adjustments, while the imbalances should not serve as an excuse to make a precipitous shift from Japanese corporate governance systems to U.S.-style systems. [passage omitted]

Challenge to a Delicate Balance

The aspect on which we must direct the most attention relative to new developments in the Japanese economy pertains to the question of how we should establish compatibility between the promotion of globalization and stability of systems. So-called globalization certainly requires the restructuring of corporations as a means to cope with competition on a global level. However, if, as stated previously, such restructurings should lead to social instability because of employment insecurity and collapse of the middle class, such conditions will ultimately progress into stagnation and confusion in the macroeconomy and corporations will forfeit markets which serve as their very foundations. At a glance, it appears that corporate interests and societal interests are antithetical and it may be that such is the case on a short-term basis, but both interests cannot help but be compatible on a mid- and long-term basis.

Of importance here is probably the role of government. Response to globalization necessitates deregulation in certain sectors which must be implemented in a thorough manner. On the other hand, there are times when regulation and supervision must be reinforced to maintain societal stability. [passage omitted] The previously mentioned D. Yankelovich and next U.S. presidential candidate dark horse Bill Bradley seem to think that there is a need to revive "civility" (which can be translated as citizen awareness or community awareness), but although only logical, Japan must respond to globalization not by the revival of U.S.-style "civility" but such movements of a more Japanese style. In any event, such processes must not consist of ideological policies but consist of a very pragmatic, solid nature.

Certainly, we should not begin to doubt that markets within this process represent a basic concept and it is imperative that government and corporations make further refinements in market concepts. In that sense, when this writer expresses a desire that Japanese government officials and salarymen learn from New York fund managers, he says so from the bottom of his heart. However, on the other hand, when George Soros quietly states,

"Originally, I wanted to become a philosopher," he becomes very appealing in speaking modestly of himself as an intellectual. It is not an easy matter to efficiently maintain delicate balances between markets and societal stability or between economic development and the environment. However, the absence of such balances would probably destine the world into eventual destruction and it is conceivable that market experts such as Soros are aware of that potential. Having said so, it appears that individuals in Japan, who loudly speak of "deregulation" and "market principles" do not, in fact, comprehend markets.

In any event, it is about time we extricate ourselves from hysterical revolutionary debate and masochism, and embark on projects to regain vitality in the Japanese economy, while assuming risks in a calm and strategic manner.

Eisuke Sakakibara Born in Tokyo in 1941. Graduated from the economics department of Tokyo University. Employed by the Ministry of Finance. Earned doctorate from the University of Michigan. Served as assistant professor of Saitama University, appointed Ministry of Finance Finance Bureau Coordination Department chief, and International Finance Bureau deputy director general. Currently serves as Finance Ministry International Finance Bureau director general. Books published are numerous including *Eurodollars and International Currency Reform*, *Japan Which Transcends Capitalism*, and *Japanese-Style Capitalism as a Culture*.

Scholar Predicts Economic Improvement in FY96

OW0301130496 Tokyo NIHON KEIZAI SHIMBUN
in Japanese 29 Dec 96 Morning Edition p 3

[Article by Yoshikazu Kano, director of the National Economic Research Institute]

[FBIS Translated Text] The Japanese economy has been in a midterm expansion stage since 1994. The growth rate of private sector investment in FY96 could have been in double digits, but due to structural factors, including the movement of manufacturing companies to other countries, it will remain at the 7 percent level. Nevertheless, information and communications industries, such as mobile telephone and personal computer makers, and related industries will give impetus to business activities. Because of this, the economy will enter a cycle in which investment invites other investment. Private consumption will become stable in FY96 so that investment by nonmanufacturing industries, mainly wholesale and retail business, will be reactivated.

So far, two primary factors — 1) strengthening of industrial restructuring and 2) an income shift (shotoku iten) from the household sector to the financial and

industrial sectors accompanied by the continuation of a super-low interest rate policy — have been obstructing the expansion of consumption. However, the yen-dollar exchange rate remained stable at 100 yen to the dollar. Moreover, inventory adjustment has been completed and production of mining and manufacturing industries will enter an expansion cycle. Therefore, the pressure for restructuring will ease. The super-low interest rate situation will continue in FY96, too, but it is difficult to imagine the interest rate falling further. It seems that a further income shift from the household sector will not take place; therefore, consumption will be stabilized, too.

Major corporations are actively promoting out-sourcing and building up power to deal with an appreciation of the yen to the level of 80 yen to the dollar. The government must change its one-sided policy of expanding demand, and instead promote all-out deregulation in the fields of communications, land, and housing. Policy reform is required.

Ministry To Help Develop Chemical Fiber Market

OW0401082196 Tokyo KYODO in English
0723 GMT 4 Jan 96

[FBIS Transcribed Text] Tokyo, Jan. 4 KYODO — The Ministry of International Trade and Industry (MITI) will help Japanese chemical textile companies develop markets for their high performance chemical fibers, ministry officials said Thursday [4 January].

The officials said the ministry will establish assessment criteria for the tensile strength, durability and other qualities of special fibers, such as carbon fibers and aramid fibers, which are increasingly used in construction and civil engineering.

The textile companies hope the market for chemical fibers will expand in the future because the products have a tensile strength almost five times that of steel with a longer period of durability.

The products also have a bigger profit margin than ordinary fibers and fabrics, they said.

No official standards for the assessment of these chemical fibers have yet been made, limiting demand for the products, they said.

The officials said the ministry plans to inaugurate an expert commission in April to work out standards for assessment.

The group will comprise engineers representing major general contractors and textile makers as well as government organizations, they said.

The government has already approved an appropriation of 20 million yen in the draft 1996 fiscal budget to cover costs for experiments and management of the commission, they said.

Expansion of the domestic market for high performance fibers has leveled off since around 1989 due largely to the absence of official assessment rules, which has led to a lack of reliability of the products used in the construction industry, the officials said.

Annual sales of the products on the domestic market are estimated at 30 billion yen, compared with 150 billion yen in the United States and Europe, they said.

The ministry intends to invite experts from the construction and transport ministries to join the expert commission in hopes of boosting demand for the products in public works projects, the officials said.

VPN for Multinational Corporations Under Study

*OW0401055896 Tokyo KYODO in English
0355 GMT 4 Jan 96*

[FBIS Transcribed Text] Tokyo, Jan. 4 KYODO — International Telecom Japan Inc. (ITJ) is talking with British Telecom (BT) to provide virtual private network (VPN) services to multinational corporations with branches in Japan, an ITJ spokesman said Thursday [4 January].

BT wants ITJ to market VPN services in Japan based on the huge "Concert" international telecom web it is running in conjunction with MCI Communications of the United States, the spokesman said.

VPN enables multinational firms to link their branches around the world through a web of telecom carriers so the branches can converse with each other at cut-rate charges, as if they ran their own in-house extension number systems.

If the proposed linkup agreement is concluded, BT and ITJ would need to set up a node in Tokyo as the computerized gateway through which multinational corporations in Japan could access the concert web, he said.

"BT will probably bring its own switch for the node, as this will be the service based on the concert," he said.

"Although we have been talking with each other since last summer, we have not reached the stage where we are able to ink a contract," he said.

If a deal is struck, BT could use as the node's site the Tokyo Multimedia Center that ITJ will open this April at the Teleport Center in Koto Ward, he said.

Japanese telecom carriers are now moving to enter alliances with the three major global groups of telecom carriers — the Concert led by BT and MCI, another web grouping AT&T Corp., KDD of Japan and Unisource of Europe, and a third combining Sprint of the U.S., Deutsche Telekom and France Telecom.

Automakers To Increase LDP Political Donations

*OW0401113996 Tokyo KYODO in English
1103 GMT 4 Jan 96*

[FBIS Transcribed Text] Tokyo, Jan. 4 KYODO — The Japan Automobile Manufacturers Association will increase political donations to the Liberal Democratic Party (LDP) in response to the party's request, starting in fiscal 1995, sources close to the association said Thursday [4 January].

According to the sources, the association, comprising 13 automakers, made political donations of 47 million yen in fiscal 1994, but plans to increase the amount over the next five years.

The association will decide on the sum later, but the sources said the total amount of such donations for the five years will not surpass 500 million yen as the association will abide by the law.

The LDP, the largest force in the tripartite coalition government, asked the Federation of Economic Organizations (Keidanren) to contribute funds to enable it to repay 10 billion yen borrowed from commercial banks to finance its campaign for the general election in 1993.

Keidanren has asked its members to increase donations to the LDP.

Murayama Avoids Stating Leadership Candidacy

*OW0401101796 Tokyo KYODO in English
1001 GMT 4 Jan 96*

[FBIS Transcribed Text] Ise, Japan, Jan. 4 KYODO — Prime Minister Tomiichi Murayama refused to reveal Thursday [4 January] whether he will state his candidacy for reelection as leader of the Social Democratic Party (SDP) by the Friday deadline, while admitting that he is giving the idea some serious thought.

"I have time (to make up my mind) until tomorrow. I'm still deliberating it thoroughly," Murayama told a news conference after visiting the Ise Shrine in Mie Prefecture, western Japan, to welcome the new year.

It is customary for a Japanese premier to visit the shrine, one of the nation's most important Shinto shrines, at the turn of the year. Murayama did not visit the shrine last year due to illness.

Murayama has suggested he will run in the party race, but since his supporters within the party consider it desirable that he run unopposed, he is expected to delay his final decision until House of Representatives legislator Tadatoshi Akiba, the only SDP member who has hinted at candidacy, makes clear whether he will run as well.

Following registration of candidates Friday, some 110,000 SDP members and supporters will vote for a new party head Jan. 14-15, with the outcome to be announced Jan. 16.

The SDP is a partner in the tripartite ruling coalition that also includes the Liberal Democratic Party (LDP) and New Party Sakigake, an LDP splinter group.

Murayama reiterated that he has no immediate plans to dissolve the House of Representatives for a snap general election, arguing that the government has pressing issues at hand such as the liquidation of seven crippled housing loan companies and the restructuring of U.S. military bases in Japan.

General elections are not due before summer next year, but opposition voices calling for an early general election are growing louder.

Concerning the controversial government scheme to liquidate the troubled housing loan companies with 685 billion yen from state coffers, Murayama said the scheme is aimed at bolstering the flagging economy, restoring trust in the nation's financial system and protecting the interests of depositors.

The main opposition party Shinshinto (New Frontier Party) and the Japanese Communist Party are adamantly opposed to taxpayers' money being used for the liquidation plan.

Murayama reiterated that the government will do its utmost to clear up the housing loan scandal and to hold those involved responsible.

Murayama, Ministers Visit Ise Jingu Shrines

OW0401061896 Tokyo KYODO in English
0340 GMT 4 Jan 96

[FBIS Transcribed Text] Ise, Japan, Jan. 4 KYODO — Prime Minister Tomiichi Murayama and nine members of his cabinet made their pilgrimage Thursday [4 January] to Ise Jingu Shrines, one of the most famous Shinto shrines in Japan.

Murayama and the nine ministers, including Trade Minister Ryutaro Hashimoto and Finance Minister Masayoshi Takemura, visited the shrines in Mie Prefecture, western Japan.

Ise Jingu Shrines is a popular site for Japanese people to make pilgrimage on occasions such as New Year's day, and it has become customary for the Japanese prime minister and cabinet ministers to visit the shrine during the new year holiday period.

However, some members of Murayama's Social Democratic Party criticized his visit to the shrines, especially since the Diet had a heated debate last month over the separation of religion and politics in the course of deliberation on a bill to tighten government control of religious groups.

The premier skipped his planned visit to the shrines on Jan. 4 last year, citing that he had caught a cold, but he visited there in April when he was in Mie Prefecture for the gubernatorial election campaign.

Team Prepares for Suspect Part Removal at Monju

OW0401121696 Tokyo KYODO in English
1136 GMT 4 Jan 96

[FBIS Transcribed Text] Tsuruga, Japan, Jan. 4 KYODO — Some 30 workers at Japan's prototype fast-breeder reactor Monju resumed the search Thursday [4 January] for the cause of last month's coolant leak which forced an emergency shutdown of the reactor.

The governmental Power Reactor and Nuclear Fuel Development Corp. (Donen) said it plans to take out an air duct just below a thermal sensor on a pipe where the leak of sodium is believed to have occurred Dec. 8.

Work began with several of the workers entering the room housing the coolant pipes to test the air and confirm it was safe to walk around.

They were followed by others in the team who wore air filters and brought in equipment, including an electrical saw.

After taking out the duct, workers will cut the pipe where the thermal sensor is attached, clean the sodium compound from the pipe and X-ray the area where the sensor is located, Donen officials said.

Cutting out the duct is expected to begin at 10 A.M. Friday and end by the evening.

Monju, located in Tsuruga, Fukui Prefecture, on the coast of the Sea of Japan, began operating last August and was scheduled to eventually generate 280 megawatts of electricity, making it the world's second largest fast-breeder reactor after the French Superphenix.

A five-member team from the Science and Technology Agency also spent Thursday conducting a compulsory

inspection of the damage under the terms of legislation covering the operation of Japan's nuclear reactors.

Fast-breeder reactors burn plutonium and produce more nuclear fuel than they consume. The Japanese Government plans to make fast-breeder reactors the centerpiece of its national energy policy for the next century.

North Korea

U.S. Government's 'Functional Paralysis' Reported

SK0401043996 *Pyongyang Korean Central*

Broadcasting Network in Korean 1200 GMT 3 Jan 96

[FBIS Translated Text] According to the reports from Washington, the U.S. Administration's partial functional paralysis has continued for over two weeks as of the end of 1995. This phenomenon began on 16 December 1995 due to conflicts over the budget issue between the Republicans-led Congress and the government led by the Democratic Party.

U.S. President Bill Clinton and U.S. Congress leaders held a series of negotiations on 29, 30, and 31 December, but failed to solve their disagreement on the budget issue. Accordingly, the United States saw the old year out, being unable to adopt a budget for the current fiscal year which started in October 1995, while a total of 280,000 employees of the U.S. Federal Government saw the new year in, being forcibly laid off.

The functional paralysis of the U.S. Administration has caused confusion, such as the suspension of U.S. passport issuance and the suspension of housing and public health expenditures. A total of 760,000 civil servants, including those forcibly laid off, have not been paid part of their wages. Furthermore, they reportedly will not be able to receive two weeks' wages unless a special reimbursement bill is passed by 8 January.

U.S. Plan To Increase Forces in ROK Denounced

SK0401031596 *Pyongyang KCNA in English*

0300 GMT 4 Jan 96

["Wild Ambition To Stifle Korea Still Remains Unchanged" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, January 4 (KCNA) — NODONG SINMUN today, commenting on the U.S. design to send 2,748 more troops to South Korea, says it shows that the U.S. does not want a disarmament and detente on the Korean peninsula at all, but intends to stifle the DPRK by force of arms.

The U.S. design to reinforce its forces in South Korea rather than withdraw them is aimed at aggravating the situation on the Korean peninsula; it is an open challenge to the desire of the people for peace, the analyst says, and continues:

The United States is hell bent on creating such an atmosphere as in Cold War in and around the Korean peninsula by clinging to the trite fiction of "threat from North Korea", which has no authenticity.

It pays lip-services to the "improved relations between the U.S. and the DPRK" and "detente" on the Korean peninsula. Its actual move is inconsistent with its advertisement, though.

Its new reinforcement plan is a product of the scenario for another Korean war; it is motivated by the purpose to stifle the DPRK by force of arms.

We take a particularly serious note of the U.S. plan to stage joint manoeuvres of its reinforcements and the South Korean puppet army in the United States this year. This is a clear indication that its reinforcement plan is for another Korean war.

It is utterly destructive to resort to strength in the relations with the DPRK.

The United States has hitherto gained nothing from the DPRK by force of arms.

It would be well-advised to remember the lesson.

U.S.-ROK Texas Combined Exercise Plan Decried

SK0401042896 *Pyongyang KCNA in English*

0412 GMT 4 Jan 96

["NODONG SINMUN on Projected S. Korea-U.S. Combined Exercise" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, January 4 (KCNA) — The South Korean puppet army plans to stage a combined exercise with the U.S. Forces in Texas in mid-February.

Commenting on the projected exercise, NODONG SINMUN today says it indicates that the South Korean puppets are getting more frantic in the criminal war moves to "unify the country" by invading the North with the help of their master, the U.S.

We take a serious view of the fact that the puppets, who have frantically staged anti-North military manoeuvres in the sky, on the ground and in the waters of South Korea, going against the whole nation's desire for the peace and peaceful reunification of the country, are going to continue the war gamble even in the U.S. mainland, says the paper.

It will be the first time that heavily-armed puppet soldiers of South Korea have a combined exercise with the U.S. Forces in the U.S. mainland.

In a commentary titled "dangerous intention of warmaniacs" the paper says:

The puppets are alleging in a far-fetched way that the exercise is necessary to "cope with the threat from the North." It is a universally accepted fact that the threat of aggression comes to the North from the South.

The clamour about the "threat from the North" is nothing but a forestalling propaganda of the aggressors and war servants to veil their bellicose nature and justify their moves to unleash another war in Korea, plunging the peninsula into a nuclear holocaust.

The combined exercise is part of large-scale field mobile manoeuvres scheduled to be held this year against the North in place of the "Team Spirit" joint military exercises. It is aimed at bringing a larger number of aggression troops into South Korea.

Though the Kim Yong-sam group are trying to get out of the woodby igniting a war against the North, it will bring them to destruction.

The paper advises the warmaniacs to cool off and act with discretion.

Kim Yong-sam Accused of Anti-DPRK Campaign

*SK0401041096 Pyongyang KCNA in English
0359 GMT 4 Jan 96*

["Anti-national Act Against Trend of Times" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, January 4 (KCNA) — The Kim Yong-sam group is more frantically resorting to the anti-DPRK smear campaign following the conclusion of the agreement on the supply of light-water reactors between the DPRK and the U.S.-led Korean Peninsula Energy Development Organisation (KEDO).

The South Korean puppets are entreating outside forces not to "make haste with the normalisation of diplomatic relations with the DPRK." Furthermore, they are pleading with them not to "act shunning South Korea."

This dastardly mendicant diplomacy is an anti-national, flunkeyist move of those who are totally isolated and feel uneasy.

When talks were going on between the DPRK and the United States, the Kim Yong-sam group was jealous of them and opened even the rice market to the United States in a bid to block their fruitful progress.

With the publication of the DPRK-U.S. agreed framework, however, the Kim Yong-sam group was driven into a piteous plight, being criticized and cursed by world people.

The South Korean puppets would have drawn a serious lesson from this and refrained from sinister moves to do harm to the fellow countrymen in the north.

But, they are again entreating Western countries to join in their anti-DPRK moves, oblivious of their bitter failure in the sycophantic solicitation "diplomacy".

They, however, will face greater criticism, curses and denunciation for this.

The Kim Yong-sam group must look straight at this and stop the anti-national moves going against the trend of the times at once.

Kim Yong-sam New Year Message 'Political Fraud'

*SK0401091896 Pyongyang KCNA in English
0804 GMT 4 Jan 96*

["Crafty Political Fraud" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, January 4 (KCNA) — The traitor Kim Yong-sam of South Korea, in his "new year message", advertised "democracy" and spoke highly of his "administrative achievements" in reference to the detention of preceding dictators and the enactment of the May 18 special law.

Commenting on this, MINJU CHOSON today views his remarks as a crafty political fraud.

With the slush fund scandal putting him in hot water, the traitor had Chon Tu-hwan and No Tae-u "arrested" perfunctorily, making impressions that he had nothing to do with his predecessors, the paper says, and continues:

The "far-sighted ambition" of the puppet does not include the issue of the country's reunification desired by the nation but is based on his intention to prettify and continue his treacherous rule under such fantastic slogans as "centre of the world" and "great cause of the second national foundation".

He also promised to "clear history of wrongdoings" and establish an "upright government". This empty talk is only aimed at deceiving the people and improving his public image that has hit the bottom.

His "new year message" boils down to a political fraud for fooling the people and continuing the treacherous rule.

This proves that with the traitor left alone, is it impossible to free the South Korean people from misfortune and sufferings and resolve the national reunification issue.

The traitor must step down, not resorting to absurd tricks.

ROK Medium-Range Defense Plan Said 'Criminal'

*SK2812144895 Pyongyang Korean Central
Broadcasting Network in Korean
1212 GMT 28 Dec 95*

[FBIS Translated Text] According to South Korean papers, on 22 December the puppet clique made public its so-called medium-range national defense plan for the period 1997 to 2001, which focuses on drastically reinforcing the puppet armed forces. In this criminal plan aimed at gaining military supremacy over us, the puppets intend to bring in updated surface-to-surface and surface-to-air missiles and offensive helicopters made by the United States, as well as various kinds of ships, investing as much as 87 trillion won [US\$116 billion].

Korean compatriots in the North, South, and overseas desire detente on the Korean peninsula and the peaceful reunification of the country. However, running counter to this, the Kim Yong-sam puppet clique has frenziedly conducted large war exercises for a northward invasion and have exceedingly reinforced the puppet armed forces, pursuing a military confrontation with us.

Japan 'Schemed' To Deceive World About Past

*SK0401085596 Pyongyang KCNA in English
0753 GMT 4 Jan 96*

["Deceptive Tactics Cannot Go Down With Anyone" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, January 4 (KCNA) — NODONG SINMUN today in a signed article says that last year Japan schemed to deceive the world public calling for making a sincere apology for the past crimes of aggression and compensating for them.

The past Japanese Government was the principal criminal who politicized aggression and colonial domination, enacted evil laws corresponding to it and planned and executed the criminal acts organisationally, the article says, and goes on:

The Japanese imperialists organisationally committed such extra-large anti-ethical criminal acts as the case of the "comfort women for the army." Japan, however, has not made a frank admission of, honest apology for and due compensation for them, while glossing over them.

Recalling that the Japanese Government set up such a civilian organisation as the "Asia Peace National Fund for Women" in July last year, the article continues:

The "national fund" mode which involves some people of conscience, not most citizens, cannot be construed otherwise but shift of the responsibility for the criminal acts onto a non-governmental body. Japan is now

turning away from demand for state compensation for forced labour, massacre, living-body test, forced drafting, maltreatment of POWs and other criminal cases with "agreements" as "shields".

Refusing to "compensate" a few survivors of the former "comfort women for the army", the Japanese Government made ordinary citizens donate funds voluntarily, which is aimed at escaping state reparation and compensation for all the crimes committed by the Japanese imperialists.

The Japanese authorities' talk about "apology" and "compensation" is a deceptive trick to calm down the world public.

The Japanese authorities should know that they can never improve their tarred image and clear themselves from the term of "enemy-state" before they liquidate the past properly.

Korean Associations Hold Ceremony in Moscow

*SK0201045096 Pyongyang KCNA in English
0353 GMT 2 Jan 96*

[FBIS Transcribed Text] Moscow, January 1 (KCNA) — A New Year ceremony was held in Moscow to wish the great leader Comrade Kim Chong-il a long life in good health under the co-sponsorship of the Korean Association (Unity) in Moscow and the Korean Association (Unity) [KAU] in Russia on Dec. 30, 1995.

Present there were Yi Tong-chol, chairman of the KAU in Russia; No Yong-chin, chairman of the KAU in Moscow; Kim Yong-sul, chairman of the KAU in Ukraine; members of the KAU in Moscow and compatriots in several parts of Russia, Uzbekistan and Kazakhstan.

Son Song-pil, DPRK ambassador to Russia, was invited to the ceremony.

Speakers at the ceremony said that the Korean people will achieve greater success in the struggle for prosperity and early reunification of the country, as they are led by the great leader Comrade Kim Chong-il, who has brilliant wisdom and distinguished leadership ability. They renewed their firm resolution to devote themselves to the cause of national reunification led by respected General Kim Chong-il.

They prayed for immortality of the respected leader President Kim Il-song, the founder of socialist Korea and father of the nation, and sincerely wished Comrade Kim Chong-il a long life in good health for accomplishment of the chuche cause and national reunification.

An art performance was given by compatriots at the ceremony.

KCAAS Delegation Departs Pyongyang for Cuba

*SK0301094396 Pyongyang KCNA in English
0921 GMT 3 Jan 96*

[FBIS Transcribed Text] Pyongyang, January 3 (KCNA) — A delegation of the Korean Committee for Afro-Asian Solidarity [KCAAS] led by its Vice-Chairman Yang Tal-chu left here today for Cuba.

The delegation was seen off by official concerned and the Cuban ambassador to Korea at Pyongyang Railway Station.

Korean People's Cause of Reunification Supported

*SK0301094596 Pyongyang KCNA in English
0854 GMT 3 Jan 96*

[FBIS Transcribed Text] Pyongyang, January 3 (KCNA) — The president of Equatorial Guinea, the vice-president of Vietnam and the prime minister of Lebanon voiced support for the struggle of the Korean people for national reunification, when meeting with the Korean ambassadors recently.

Obiang Nguema Mbasogo, president of Equatorial Guinea, said that in 1995 the Korean people did a lot of things under the wise leadership of His Excellency Kim Chong-il. He expressed the belief that the Korean people would gain signal achievements in their struggle for national reunification as well as in socialist construction in the New Year 1996.

The government and people of Equatorial Guinea, he noted, will extend invariable support to the Korean people in their struggle for the reunification of the country in the new year.

Nguyen Thi Binh, vice-president of the Socialist Republic of Vietnam, said that the party, government and people of Vietnam positively support the Korean people in their struggle for national reunification, and expressed the belief that the fraternal Korean people under the leadership of Comrade Kim Chong-il would achieve a great success in socialist construction.

Rafiq al-Hariri, prime minister of Lebanon, hoped that the Korean people under the wise guidance of His Excellency Kim Chong-il, the great leader, would continue gaining success in their efforts for the prosperity and development of the country in the new year.

Kim Chong-il Receives New Year Messages

*SK0401101996 Pyongyang KCNA in English
0807 GMT 4 Jan 96*

[FBIS Transcribed Text] Pyongyang, January 4 (KCNA) — The great leader Comrade Kim Chong-il received over 1,200 congratulatory messages and letters on

the new year 1996 from regional missions of the National Democratic Front of South Korea (NDFSK), the overseas headquarters of the National Alliance for the Country's Reunification, the International Korean Association (Unity) and its affiliated organizations, the General Association of Korean Citizens in China and its affiliated organizations, overseas compatriots' organizations and Koreans in the Americas, Europe and other regions.

The messages and letters extended the warmest congratulations to Comrade Kim Chong-il on the new year 1996.

They expressed the resolution of the NDFSK and overseas compatriots to devote everything to national reunification, the greatest desire of the 70 million fellow countrymen, and to the prosperity and development of the socialist homeland of chuche.

They sincerely wished General Kim Chong-il a long life in good health.

'Mindan' Koreans Send Greetings

*SK0301101996 Pyongyang KCNA in English
0856 GMT 3 Jan 96*

[FBIS Transcribed Text] Pyongyang, January 3 (KCNA) — The great leader Marshal Kim Chong-il received messages of greetings from Koreans under the South Korean residents Association in Japan (Mindan) in Tokyo, Hokkaido, Osaka, Kanagawa, and other regions of Japan and South Koreans staying in Japan on the New Year 1996.

The messages extended the warmest greetings to Marshal Kim Chong-il on the new year.

They noted with high appreciation that respected General Kim Chong-il is wisely leading the struggle to accelerate the reunification of the country.

They evinced the firm determination of the compatriots to relentlessly fight in firm unity to bring earlier the day when they will acclaim the respected general at the rostrum of reunification.

They sincerely wished Marshal Kim Chong-il good health and a long life.

More Korean Groups in Japan

*SK0201041896 Pyongyang KCNA in English
0336 GMT 2 Jan 96*

[FBIS Transcribed Text] Pyongyang, January 2 (KCNA) — The great leader Marshal Kim Chong-il received messages of greetings on the new year 1996 from the standing council of the Federation of Korean Traders

and Industrialists in Japan, the Central Standing Committee of the League of Korean Youth in Japan, the Central Standing Committee of the Democratic Union of Korean Women in Japan and other organisations under the General Association of Korean Residents in Japan (Chongnyon) and their affiliated organisations, the Korean news service, CHOSON SINBO, Haku Sobang publishing house, the Kumgangsan Opera Troupe, the Kumgang Insurance Co., Ltd., and other enterprises, local headquarters of Chongnyon, the Central Institute of Chongnyon, Korean University and Korean schools at all levels in Japan and compatriots from all walks of life.

Messages extend warmest greetings to Marshal Kim Chong-il on the new year.

Elaborating on the vigorous patriotic work waged by Koreans in Japan last year under the wise guidance of respected Marshal Kim Chong-il, the messages stress that they are filled with the conviction that they will surely win as they are guided by him.

They express the firm determination of Koreans in Japan to fight more vigorously to thoroughly implement the decisions of the 17th congress of Chongnyon in hearty response to "on developing the movement of Koreans in Japan onto a new higher stage," the letter sent by the respected marshal on the 40th anniversary of Chongnyon, and to realize national reunification under the uplifted banner of the 10-point program of the great unity of the whole nation.

The messages wholeheartedly wish Marshal Kim Chong-il good health and a long life.

Articles Praise Works of Kim Chong-il

'Some Pivotal Tasks' 1976 Work

SK0201050096 *Pyongyang KCNA in English*
0358 GMT 2 Jan 96

["Highly Important Work for Party Organizations" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, January 2 (KCNA) — It is 20 years since the great leader Comrade Kim Chong-il published the famous work "On Some Pivotal Tasks That Should Be Maintained in Party Work This Year" on January 1, 1976.

In this regard, NODONG SINMUN today carries an article contributed by Chong Hyon-ku, chief secretary of the Chongdan County Party Committee in South Hwanghae Province.

The article says:

The work elucidates in a clear-cut way the principled questions arising in powerfully carrying on the three-revolution red flag movement and improving the method and style of party work.

The work has displayed great vitality over the past 20 years.

The great significance and vitality of the work is that it has made it possible to bring about a great change in carrying on the three revolutions, ideological, technical and cultural, by vigorously pushing ahead with the three-revolution red flag movement.

Ideological revolution has been carried on dynamically in the three-revolution red flag movement. As a result, all party members and working people have cherished loyalty and filial piety to the party and the leader as their faith, and a singlehearted unity of the whole party and the whole society with the great Comrade Kim Chong-il as the centre has been cemented further.

Eye-catching success has been scored in accomplishing the technical and cultural revolutions. As a result, the nation's economic might has been strengthened considerably and a great heyday has come up in socialist cultural construction.

The work has helped bring about a revolutionary change in improving the method and style in party work. It is another great significance and vitality of the work.

Comrade Kim Chong-il in the work said in a concrete way that all officials should faithfully follow the revolutionary method of work and the popular work style which were created and shown by the great leader Comrade Kim Il-song through his practical examples.

Thanks to the energetic guidance of Comrade Kim Chong-il, a great upsurge has been effected in the work for improving the method and style of the officials in their work and Comrade Kim Il-song's style of work has predominated in our party.

The article points out that the work of Comrade Kim Chong-il has helped effect a great change in Chongdan County.

'Socialist Economy' 1986 Work

SK0401090296 *Pyongyang KCNA in English*
0804 GMT 4 Jan 96

["Highly Important Work for Turn in Strengthening Party and Revolutionary Ranks" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, January 4 (KCNA) — NODONG SINMUN today dedicates a by-lined article to the tenth anniversary of the publication of "For the Strengthening and Development of the Party

and the Revolutionary Ranks and a Fresh Upsurge in the Construction of the Socialist Economy," a famous work of the great leader Comrade Kim Chong-il on January 3, 1986.

The work expounds in a comprehensive way the principled questions arising in strengthening the party and the revolutionary ranks, including those of strengthening the ranks of cadres and party ranks, consolidating and developing the unity and cohesion of the party, working among the masses properly and uniting the broad masses closely behind the party and of conducting brisk ideological education of party members and working people.

It also indicates concrete tasks and ways of bringing about a fresh upsurge in socialist economic construction.

The article says that the work is of great importance because it serves as a milestone for a turn in consolidating the party's organisational and ideological foundations for carrying to completion the revolutionary cause of *chuche* and because it has been very instrumental in uniting the broad sections of the masses closely behind the party and strengthening the driving force of the Korean revolution in every way.

The article quotes Comrade Kim Chong-il as saying:

"Teaching party members and working people to have a good understanding of the party is of great significance in training party members and working people into true communist revolutionaries unfailingly loyal to the party, and in encouraging them to accomplish the revolutionary cause of our party through generations."

The article further says:

The Workers' Party of Korea [WPK], under the energetic guidance of the great General Kim Chong-il, has made sure that ranks of cadres are composed of those who are unfailingly loyal to their leaders and are competent, according to a far-reaching plan. It has guaranteed the purity of party ranks by maintaining the principle of judging people mainly by their ideology and other principles in the work of growth of the party ranks.

Today the WPK has grown in strength and developed into loyal militant ranks of those who hold the great Comrade Kim Il-song in high esteem as their eternal leader and are rallied close around Comrade Kim Chong-il, thus thinking and acting only in accordance with the ideas and intentions of their leaders.

This is a most precious gain in the efforts for the party building. It is a distinguished feat of Comrade Kim Chong-il.

If politics is not comprehensive, it cannot embrace all the people. If statesmen are not broad-minded, the people turn away from them. This was the intention

of the great leader Comrade Kim Il-song, and is the political philosophy of Comrade Kim Chong-il.

The party and the masses have been united in one mind and the whole society turned into a large harmonious family in *dorea*. This is a precious fruit of the all-embracing politics of respected General Kim Chong-il.

Kim Chong-suk's Birth Anniversary Commemorated

SK0401101696 *Pyongyang KCNA in English*
0810 GMT 4 Jan 96

[FBIS Transcribed Text] Pyongyang, January 4 (KCNA) — The 78th birth anniversary of Comrade Kim Chong-suk, an indomitable communist revolutionary fighter, was commemorated in different countries.

An evening of men of culture and the press took place in Russia under the sponsorship of the Writers' Union of Russia.

A lecture of explaining pictures showing the revolutionary activities of Comrade Kim Chong-suk was given before speeches were made.

The speakers said that Comrade Kim Chong-suk was a model of woman revolutionaries, who devoted her all to the struggle for restoring Korea and building a prosperous, new Korea, and that the Russian women should follow her.

They also stressed that it is quite natural to commemorate her birth anniversary as a holiday and that such a distinguished heroine as her should be widely introduced down through generations.

Meanwhile, colorful events such as seminar, lecture meeting, film show and reading session were held by the group for the study of kimchongilism of the Amerindian Action Movement of Guyana, the Kinshasa, Zaire, group for the study of the Kim Chong-il *chuche* idea, the Addis Ababa, Ethiopia, group for the study of the *chuche* idea, the Mexican Fellowship Union for honouring the memory of President Kim Il-song, the group for the study of the *chuche* idea of Comrade Kim Il-song of higher middle school of old Kampala, Uganda, and the Peruvian group for the study of the revolutionary activities of Kim Chong-suk.

Flowers Laid Before Kim Il-song Statues

SK0101094296 *Pyongyang KCNA in English*
0858 GMT 1 Jan 96

[FBIS Transcribed Text] Pyongyang, January 1 (KCNA) — Working people, soldiers of the People's Army, youths, school boys and girls and Koreans overseas laid floral baskets, bouquets and flowers before statues of

the great leader President Kim Il-song throughout the country today, greeting the new year 1996.

His statue on Mansu Hill in Pyongyang has been visited by many working people, servicemen, youths and school boys and girls.

Placed before the statue was a floral basket sent by the Great Leader Comrade Kim Chong-il, chairman of the National Defense Commission of the Democratic People's Republic of Korea and supreme commander of the Korean People's Army [KPA].

After the national anthem was played, floral baskets were laid before the statue amid the playing of the floral basket-laying music in the name of [the] Workers' Party of Korea Central Committee, the DPRK Central People's Committee, the Administration Council, the Ministry of the People's Armed Forces, the Ministry of Public Security, KPA units, commissions and ministries of the Administration Council, the joint organization of the Korean Children's Union, political parties, social organizations, state organs, scientific, educational, cultural and art, public health and press establishments and party and power bodies, administrative and economic organs, working people's organizations, industrial establishments in the city.

Floral baskets were laid also in the name of the General Association of Korean Citizens in China and other organizations of compatriots in China, Japan and other regions.

Then, working people, servicemen, youths and school boys and girls placed floral baskets, bouquets and flowers before the statue.

Floral baskets, bouquets and flowers were also laid before the statues of the fatherly leader President Kim Il-song at Kim Il-song University, Kim Il-song Military University, the Political University of the Ministry of Public Security, the Korean Film Studio, Pyongyang Taedongmun Primary School, Changdok School and other places of Pyongyang and in other areas of the country.

Officials Pay Homage to Kim Il-song at Kumsusan

Yi Chong-ok, Pak Song-chol

*SK0101094396 Pyongyang KCNA in English
0901 GMT 1 Jan 96*

[FBIS Transcribed Text] Pyongyang, January 1 (KCNA) — Senior party and state officials, people from all walks of life and soldiers of the Korean People's Army have visited Kumsusan Memorial Palace today to pay

homage to the Great Leader President Kim Il-song on the occasion of the new year 1996.

Among them were Vice-Presidents Yi Chong-ok, Pak Song-chol and Kim Pyong-sik and other senior party and state officials, anti-Japanese revolutionary veterans, those related to the anti-Japanese revolutionary struggle, those who were received by President Kim Il-song in his lifetime, workers, peasants, servicemen, intellectuals, youths and school boys and girls.

The statue of President Kim Il-song was flanked on either side by flags of the party and the republic, standards of the army and guards of honor of the three services of the KPA.

Laid before the statue was a floral basket in the joint name of the Central Committee of the Workers' Party of Korea (WPK), the WPK Central Military Commission, the National Defense Commission, Central People's Committee and Administration Council of the Democratic People's Republic of Korea.

The visitors, in deep reverence, extended new year greetings to President Kim Il-song, who was preserved in state.

They vowed to successfully promote the revolutionary cause of *chuche*, the socialist cause, under the leadership of the Great Leader Comrade Kim Chong-il, always holding President Kim Il-song in high esteem as the sun of *chuche*.

Kang Song-san, Kim Pyong-sik

*SK0401022396 Pyongyang Korean Central
Broadcasting Network in Korean 1400 GMT 1 Jan 96*

[FBIS Translated Excerpt] On 1 January, senior party and state officials, people from all walks of life, and soldiers of the Korean People's Army visited the Kumsusan Memorial Palace to pay homage to the great leader Comrade Kim Il-song on the occasion of the New Year, 1996.

Visiting the palace were Comrade Yi Chong-ok, Comrade Pak Song-chol, Vice President Kim Pyong-sik, Comrade Kang Song-san, Comrade Choe Kwang, Comrade Kim Yong-nam, Comrade Kye Ung-tae, Comrade Chon Pyong-ho, Comrade Han Song-yong, Comrade Kim Chol-man, Comrade Choe Yong-nim, Comrade Hong Song-nam, Comrade Yang Hyong-sop, Comrade Hong Sok-hyong, Comrade Yi Ul-sol, Comrade Cho Myong-nok, Comrade Kim Yong-chun, Comrade Kim Kwang-chin, Comrade Paek Hak-nim, Comrade Kim Ik-hyon, Comrade Hwang Chang-yop, Comrade Kim Chung-nin, Comrade So Kwan-hui, Comrade Kim Pok-sin, Comrade Kim Yun-hyok, Comrade Chang Chol,

Comrade Yun Ki-pok, Comrade Pak Nam-ki, Comrade Chon Mun-sop, Mrs. Yu Mi-yong, and members and alternating members of the Workers' Party of Korea Central Committee. [passage omitted]

Choe Kwang Attends People's Armed Forces Meeting

SK0401040896 *Pyongyang KCNA in English*
0356 GMT 4 Jan 96

["Servicemen Vow To Advance Vigorously in New Year" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, January 4 (KCNA) — Servicemen of the Ministry of the People's Armed Forces met on Wednesday to vow to advance vigorously in the New Year under the red flag, united in one mind around the great leader of our party and our people Comrade Kim Chong-il, supreme commander of the Korean People's Army [KPA].

Present at the meeting were Choe Kwang, Politburo member of the C.C. [Central Committee], the Workers' Party of Korea and minister of the People's Armed Forces, senior officials, generals and officers of the ministry.

A reporter and speakers called for advancing vigorously in the New Year, united in one mind around the respected supreme commander, to carry out the militant tasks laid down in the joint editorial carried by the newspapers of the Workers' Party of Korea, the Army and the youths.

They said they would further strengthen the People's Army into the revolutionary Armed Forces each of whose members is a match for a hundred, under the red flag, their faith, conscience and mark post of struggle, so as to fully discharge its noble mission as the main force in accomplishing the revolutionary cause of chuche.

They said all the People's Army officers and men would prepare themselves to be loyal and dutiful subjects, who remain intensely faithful to the ideology and leadership of their supreme commander, leaving all their destinies entirely to him, and to be rifles and bombs defending him with their bodies.

They also vowed to establish in the whole Army the revolutionary traits of unconditionally implementing to the last the orders and instructions of the respected supreme commander and the revolutionary military rule of acting as one under his order.

Saying that the KPA will continue demonstrating its might as an invincible strong Army, they declared that if the enemy invade their land and their territorial air and waters even 0.001 mm, they would mete out a merciless

punishment on it and firmly defend the sovereignty and dignity of the country and the nation.

They stressed that the entire People's Army officers and men should fully demonstrate the dignity and honor of the revolutionary Army, who defend their leader, party, system and fatherland at the cost of their lives with the arms of the revolution.

A resolution was adopted at the meeting.

CPRF Secretariat Director on Joint Editorial

SK0301143096 *Pyongyang Korean Central Broadcasting Network in Korean* 2200 GMT 1 Jan 96

[FBIS Translated Excerpt] The joint editorial entitled "Let Us Advance Vigorously in the New Year, Flying the Red Flag"—which NODONG SINMUN, CHOSON INMINGUN, and NODONG CHONGNYON carried to greet the New Year—has aroused great repercussions among people from all walks of life in the northern half of the Republic.

Han Si-hae, director of the Secretariat of the Committee for the Peaceful Reunification of the Fatherland [CPRF], said:

[Begin Han recording] Upon reading the joint editorial entitled "Let Us Advance Vigorously in the New Year, Flying the Red Flag"—which NODONG SINMUN, CHOSON INMINGUN, and NODONG CHONGNYON carried to greet the New Year—our officials of the CPRF Secretariat were filled with great excitement and emotions.

With great pride, the joint editorial summed up the achievements which our people brought about last year in the revolution and construction, and in particular, in the work of carrying out the cause of the fatherland's reunification while upholding the great leader [widaehan yongdoja] Comrade Kim Chong-il in the supreme position of the nation and while holding aloft the red flag that symbolizes the entire life of the fatherly leader [suryongnim]. It also presented glorious plans for the 70 million fellow countrymen to carry out in the new year.

The fatherland's reunification is a national cause and supreme task to which the fatherly leader [suryongnim] devoted all his energy and efforts until the last moment of his life. [passage omitted describes last year's activities for reunification]

The historic cause of the fatherland's reunification will be achieved without fail because there exists the most fair, aboveboard, and realistic plan for the fatherland's reunification, a plan that was elucidated by the great leader [suryongnim], the father of the nation, and because the great leader [widaehan yongdoja] General

Kim Chong-il is wisely leading the national struggle for the fatherland's reunification in the vanguard.

Our fellow countrymen will further accelerate the vigorous march to hasten the honorable day when we will pride ourselves on my reunified country, my reunified fatherland, at the behest of the fatherly leader [suryong-nim], while upholding the great leader [widaehan yongdoja] General Kim Chong-il as the leader of the nation [minjogui yongsu]. [end recording]

Demonstrating Spirit of 'Socialist Korea' Lauded

*SK0301104596 Pyongyang KCNA in English
0912 GMT 3 Jan 96*

["Determination To Demonstrate Spirit of Socialist Korea, Flying Red Flag of Revolution" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, January 3 (KCNA) — The Working People of Korea, encouraged by the joint editorial of NODONG SINMUN, CHOSON INMINGUN and NODONG CHONGNYON on the New Year 1996, have hardened their determination to vigorously advance in the new year, flying the red flag of revolution.

Fully reflected in the joint editorial entitled "Let Us Advance Vigorously in The New Year, Flying Red Flag" are the faith and will of the Korean people to take a long road of revolution under the guidance of the great leader Comrade Kim Chong-il true to the behests of the great leader President Kim Il-song. Kim Un-ki, chief secretary of the South Hwanghae Provincial Party Committee, said:

We will make sure that party members and other working people advance as one in the new year with the conviction that to advance under the red flag, united close around respected General Kim Chong-il is the only way of a glorious life and the road of victory of socialism.

Kim Sung-hyon, first vice-minister of metal industry, said:

We, in charge of a breakthrough in carrying out the revolutionary economic strategy of the party, will attain a high and steady rate of production and sufficiently meet the growing demands of the national economy for iron and steel true to the behests of the fatherly leader President Kim Il-song in the new year.

General of the Korean People's Army [KPA] Hong Song-yul said:

We, all the officers and men of the KPA, will add lustre to the dignity and honor of the army of the leader, the party and the people defending their leader, party,

system and motherland at the cost of life with the arms of revolution under the slogan of advance and struggle "Let us fully demonstrate the spirit of socialist Korea, holding the red flag aloft!"

Report on Urban Workers Moving to Socialist Farms

SK0401045196

[FBIS Editorial Report] The following is a compilation of news reports from Pyongyang Korean Central Television Network in Korean on residents who volunteered to settle on socialist farms and Kim Chong-il's thank-you messages sent to them.

At 1100 GMT on 5 December 1995, the television carries a two-minute report on Kil Sun-hwa, guiding personnel at the Central Committee of the General Federation of Trade Unions, volunteering to advance to the construction complex of the first hydroelectric power plant where his deceased father worked as a deputy to the Supreme People's Assembly, double labor hero, and assistant chief engineer. Kil Sun-hwa says that: "It is natural for our young functionaries to uphold and follow the lofty will of the great leader [suryong] who was concerned about the electric power problem until the last moment of his life. Cherishing in my mind the lofty dignity and honor of being a functionary of the construction complex of the first hydroelectric power plant I will work harder so as to give greater joy to the great leader [yongdoja] Comrade Kim Chong-il."

At 1100 GMT on 14 December the television carries a three-minute report on a meeting held on the spot to deliver Kim Chong-il's thank-you message to O Hwangson and Kim Yong-kun, guiding personnel at the State Pricing Committee; and their families who volunteered to advance to the state-run Chungsan orchard. O Hwangson and Kim Yong-kun introduce their families and say: "We will do our best in the state-run Chungsan orchard in order to repay the respected and beloved general's love."

At 1100 GMT on 26 December the television carries a three-minute report on 21 new generation youths who have advanced to Tokhyon cooperative after graduating from Hoechang senior high school in Hoechang County. The report carries a brief interview with a functionary of the farm who introduces the youths' hard work in the farm. The report also carries an interview with one of the youths who vows to work harder in the farm.

At 1100 GMT on 31 December the television carries a one-minute report on a meeting held to deliver Kim Chong-il's thank-you message to Ho Pong-tok, a worker of the enterprise in which Kim Ki-chang works, and his families who volunteer to advance to Yongsan cooperative farm in Songchon County. The report cites Ho Pong-tok vowing to work hard in the farm.

The report is followed by a brief report on Yun Ki-hyok, a worker at Miari phonometer company, volunteering to advance to Naegang cooperative farm in Kungang County, Kanwon Province. The report quotes Yun as saying that he will work hard on the farm.

South Korea

North Decision To Attend Atlanta Olympics Noted
SK0401105296 Seoul YONHAP in English
0822 GMT 4 Jan 96

["News Analysis" by Kim Tae-yong: "N. Korea May Not Have Wanted To Be Isolated From Outside at All"]

[FBIS Transcribed Text] Seoul, Jan. 4 (YONHAP) — The reason North Korea decided to participate in the Atlanta Olympics at the last moment may be that it did not want to be known as an isolated country.

Of the 197 members of the International Olympic Committee [IOC] North Korea was the only one that failed to contact the IOC before the Nov. 15 deadline. So the IOC's sudden announcement earlier this year was a surprise.

The IOC announced Wednesday that Pak Myong-chol, North Korea's National Olympic Committee chairman, sent a letter informing them of their decision to attend the quadrennial sports festival.

Why Pyongyang finally decided to attend is not known, out there are several possible explanations.

O Chi-chol, director-general of the International Sports Bureau of the Culture and Sports Ministry, cited three possibilities.

"First of all," he said, "the symbolic meaning of the 100th year since the inauguration of the modern Olympics is so significant that North Korea may not want to be the only country not attending."

Juan Antonio Samaranch, IOC president, sent a second invitation to Pyongyang last Dec. 18, emphasizing that the Atlanta games would be the modern Olympics centennial, which might have caused Pyongyang to reconsider.

Secondly, political necessity may also account for the change.

North Korea is pushing for normalization of relations with the United States, and refusing an invitation to this event would certainly be considered unfriendly by Washington.

O said, "Former President Jimmy Carter's letter to Kim Chong-il, de facto leader of the communist country, may have changed his mind."

Politics has historically been a factor affecting North Korea's decision whether or not to participate in the Olympics. For example, it did not participate in 1984 Los Angeles Olympics and 1988 Seoul Olympics for political reasons.

The third possible reason may be North Korea's dire economic straits, the food shortage in particular.

North Korea's chronic economic difficulties have only worsened since last year's flood ruined much of their rice crop, and reportedly left about 500,000 people homeless and maybe more without enough food.

"North Korea desperately needs international assistance and would be difficult for a country that has isolated itself to cordially receive assistance from the outside world. It needs to show the world that it is a decent member of the international community," O said.

Sports competitiveness may be the least important factor.

North Korea participated in the Barcelona Olympics in 1992 not for the sake of sports but from a fear of being isolated from the world festival.

The communist country has made strong showing in boxing, wrestling, table tennis and gymnastics, but did not set any records.

Long-Term Energy Plans for Reunified Korea

SK2712114095 Seoul YONHAP in English
0717 GMT 27 Dec 95

[FBIS Transcribed Text] Seoul, Dec. 27 (YONHAP) — The Trade, Industry and Energy Ministry held a public hearing in the Korea Electric Power auditorium Wednesday, to lay out a tentative long-term energy development plan for a unified Korea.

This plan will be finalized next June after additional hearings. It has been pointed out that differences in energy production and distribution systems of the South and North present obstacles to investment in North Korean industries as well as unification.

The ministry blueprint envisions the two Koreas working together to make inroads into the Southeast Asian energy market, the construction of inter-Korean gas and oil pipelines, and joint coal mine development in the North.

To assure South Korea of a stable supply of energy, the nation's oil storage capacity will be increased from 43.4 million barrels to the 153.7-million-barrels by 2002, while gas storage capacity will be expanded to 17.2 million tons by 2010.

A total of 122 new power plants capable of generating a total of 57 million kilowatts per hour are planned, including 19 nuclear power plants and 40 gas-fired power plants.

A daylight saving time system will be implemented to save energy during the summer.

The ministry's plan also emphasizes the importance of using less fossil fuels, and more natural gas to minimize air pollution.

Private Groups Contribute to North Flood Victims

SK2712114795 Seoul YONHAP in English
1047 GMT 27 Dec 95

[FBIS Transcribed Text] Seoul, Dec. 27 (YONHAP) — Private organizations in South Korea have so far contributed a total of 157 million won (203,000 U.S. dollars) for use in helping North Korean flood victims.

The total includes 40 million won donated by the Catholic Seoul Diocese, 40 million won by the World Vision Korea, 20 million won by the Council of Buddhist Denominations, 20 million won by the chief of the Buddhist Chogye Order and 10 million won by the head of the Won Buddhism.

An official at the Korean National Red Cross said Wednesday that the Red Cross purchased 8,000 blankets with the money contributed plus 50,000 dollars in its own fund, which it shipped to the Nampo Harbor of North Korea in two shipments for delivery to the North Korean Red Cross through representatives of the International Federation of Red Cross and Red Crescent.

The Korean National Red Cross plans to carry on a relief fund raising program for the time being, the official said.

Russian Official on DPRK Food 'Difficulties'

SK0301120796 Seoul YONHAP in English
1202 GMT 3 Jan 96

[FBIS Transcribed Text] Moscow, Jan 3 (YONHAP) — Russian Vice Foreign Minister Aleksandr Panov said here Wednesday it is true North Korea is suffering from food difficulties but it doesn't seem North Korea has been driven to the worst food condition yet.

In an interview with the ITAR-TASS NEWS AGENCY, Panov said, "According to information available to the Russian Government, North Korea is believed to have a considerable amount of food stockpile."

He added that if and when the situation grows worse and Pyongyang authorities ask for assistance, Russia would seriously study the issue of providing aid to North Korea.

As to the method of assistance, Panov said Russia could consider giving to North Korea not only food but other items like fuel as well.

Red Cross on Plans To Ship Aid to North Korea

SK0401011096 Seoul THE KOREA HERALD
in English 4 Jan 96 p 1

[FBIS Transcribed Text] The Korea National Red Cross (KNRC) plans to ship noodles, socks and blankets worth about \$150,000 to North Korea late this month in another aid to North Koreans suffering from bitter food shortage amid cold weather, a KNRC spokesman said yesterday.

It would be the first food shipment from the South to North Korea since September last year when Seoul sent 150,000 tons of rice to the North.

The KNRC spokesman said that the shipment list includes 2,000 blankets, 100,000 packs of namyong and 20,000 pairs of socks for North Koreans who were hard hit by flood last summer and food shortage amid bitter cold winter.

The spokesman said the KNRC has purchased the aid items with the donations from Catholic and civil groups, adding that the shipment would take place around Jan. 20. It would be the KNRC's third shipment to North Korea since late last November. On Nov. 23, the KNRC shipped 5,000 blankets to the North, followed by another shipment of 3,000 blankets on Dec. 9.

In Beijing, meanwhile, North Korean Amb. Chu Changchun appealed for more foreign aid to feed a people battered by floods in the isolated Communist county.

North Korea was hit last summer by three waves of flooding, the worst in a century, with serious agricultural damage.

DPRK Rice Aid Said Contingent on Talks

SK0401105596 Seoul YONHAP in English
1011 GMT 4 Jan 96

["Authorities Talks Should Precede Any Rice Delivery: Seoul Official" — YONHAP headline]

[FBIS Transcribed Text] Seoul, Jan. 4 (YONHAP) — There is no change in the South Korean Government policy that government officials talks between the two Koreas are essential to embodying the principle of resolving problems between the direct parties involved, a government official said Thursday.

Kim Kyong-ung, spokesman for the National Unification Ministry, said the principle of resolving problems

between the parties involved constitutes the backbone of the Seoul government's inter-Korean policy.

"The need of government officials' talks to practice the principle of resolving inter-Korean questions between the South and the North of Korea applies to the question of any additional delivery of rice to North Korea, as well," Kim said.

He said the prerequisites the South has set forth to any further rice provision to North Korea remain effective, the conditions being the suspension of southward slanders, Pyongyang's formal request for rice, resumption of government officials' talks, and holding of inter-Korean talks somewhere on the Korean peninsula.

NKP Opposes Additional Rice Aid for DPRK

SK0401052296 Seoul YONHAP in English
0504 GMT 4 Jan 96

[FBIS Transcribed Text] Seoul, Jan. 4 (YONHAP) — The ruling New Korea Party (NKP) reaffirmed Thursday that it is opposed to sending additional rice aid to North Korea unless there is a change in the communist country's attitude toward the South.

Party Spokesman Son Hak-kyu said that a high-level meeting of his party decided that there would be no additional rice assistance for the North unless they formally request it and until they stop slandering South Korea.

Touching on Foreign Minister Kong No-myong's remarks last Dec. 30 regarding the necessary conditions for rice assistance for the North, Rep. Son said that Kong's statement did not imply a change in policy but instead referred to the conditions that must be met by the United States and Japan if they are going to supply the North with additional rice.

Minister Kong previously indicated that additional rice aid could be extended to the North only if international organizations were allowed into the country to perform a needs assessment and the diversion of rice to the military were prohibited.

DPRK Food Shortage After Floods Analyzed

SK0301080196 Seoul VANTAGE POINT in English
Dec 95 Vol. 18, No. 12 pp 16-20

["Analysis": "North Korea After the Floods: Can the Victims Survive a Cold Winter?"]

[FBIS Transcribed Text]**Floods Aggravating a Worst Food Shortage** A series of heavy floods in North Korea in July and August this year was certainly a catastrophe,

as North Korean officials depict, which they have never experienced in 100 years. In the past, Pyongyang used to minimize or hide the impact of such a natural disaster, saying North Korea is a paradise on earth where the people are without any worries about what to eat, what to wear and where to live. This time, Pyongyang exaggerated the pain, saying that the floods caused \$15 billion in economic damage, equivalent to some 70% of North Korea's GNP, and eradicated nearly 2 million tons of grain. It also said that some 5.2 million people, a quarter of its population, were affected by the floods. It passed these estimates to a U.N. team that visited North Korea in September. Pyongyang's desperate appeal to U.N. organizations and foreign countries for relief gives the impression that it has been trying to attribute a food shortage in North Korea to the natural disaster.

However, the grain shortage has been a chronic one there, as can be explained by remarks uttered repeatedly by the late Kim Il-song on various occasions while he was alive: "Our ultimate goal is to let all the people eat rice with meat soup, wear silk clothes and live in tile-roofed houses." South Korea's National Unification Board, in its report released in 1992, estimated the grain production in North Korea in 1991 to be some 5 million tons, of which 1.9 millions were rice. When calculated on the basis of the North Korean food rationing standard—700g per day for an adult—North Korea was short of 1.6 million tons. However, this estimate might have been based merely on a desk theory. Marina Trigubenko, director of the Center for Asian Economic Studies in the Soviet Institute for International Economic and Political Studies, during a seminar held in Seoul in December 1990, said that Russian scholars maintained that North Korea consumed some 4 million tons of grain per year, and almost half the amount was imported. This meant that the Russians had estimated the yearly grain production at about 2 million tons, but regarding the amount of the shortage, they shared approximately the same standard with South Koreans.

It appears that Pyongyang had been able to cope with this shortage somehow at least up to 1993 by importing grain on a barter system, or by exporting good-quality rice in exchange for cheaper grain (see Table 1, below). But, grain production in North Korea has been on the steady decline while the demand has been on the rise. And moreover, due to Beijing's decision to convert its barter system in trade with North Korea to a cash payment system beginning 1993, North Korea's import of grain from China had to be decreased drastically.

Table 1. Food Supply and Demand in North Korea (unit: 1,000 tons)

Year	Demand (the preceding year)	Production	Shortage	Imports	Absolute Shortage
1991	6,470	4,812	1,658	1,300	358
1992	6,500	4,427	2,073	830	1,243
1993	6,580	4,268	2,312	1,090	1,222
1994	6,670	3,884	2,786	360	2,426
1995	6,720	4,130	2,590	(821)	(1,769)

Source: An Estimate of Grain Production in North Korea by the Rural Development Administration in Seoul

Under these conditions, North Korea embarked on strenuous efforts already in the early part of this year before it was hit by the floods, to import as much grain as possible. In February it made a contract with Thailand to import 300,000 tons of rice by the end of the year on a credit basis. As of September, 162,000 tons have been shipped to North Korea, but Thailand suspended the shipment of the remainder due to North Korea's failure to clear the payment for 100,000 tons of rice it had imported in 1993-1994. In May, a North Korean delegation, headed by Yi Song-nok, chairman of the Committee for the Promotion of International Trade, visited Japan to ask for 600,000—800,000 tons of rice on credit. In the course of negotiations with Japan, Yi suggested that his country was willing to receive rice even from South Korea. As a result, North Korea has been able to obtain a promise that Japan will provide a total of 500,000 tons of rice (including 150,000 tons of free rice). North Korea was successful in obtaining 150,000 tons of free rice from South Korea. North Korea also made agreements with other countries to import some 1.1 million tons of rice, but noteworthy is that most of the agreements had been made already before the floods hit the country.

Table 2. North Korea's Rice Import Contracts in 1995 (unit: tons)

From	Quantity		Remarks
	Agreement	Shipment	
Thailand	300,000	162,000	Shipment suspended
(rice)	(Feb.)	(by Sept.)	as of November.
U.S.	54,000	54,000	

From	Quantity		Remarks
(corn)	(March)		
South Korea	150,000	150,000	Free
(rice)	(June)	(by Oct.)	
Japan	300,000		
(rice)	(June)	350,000	
		200,000	(by Nov.) After the floods (Aug.)
China	100,000	100,000	Relief goods
(grain)	(Aug.)		
U.N. WFP [World Food Program]	5,140	5,140	Relief goods
(rice)	(Nov.)	(Nov.)	
Total	1,109,140	821,140	

Chuche-Method—Main Cause of Farmland Devastation

North Korea's poor grain production should be attributable, first of all, to its poor natural endowment: arable fields in North Korea account for only 25% of the entire area, and of this, only 30% are rice paddies. North Korea's grain output in 1992-1993 shows that some 35% are rice and 50% are corn.

North Korea in the early 1960s began to make terraced corn fields on all mountain slopes after cutting down the pine trees there. This was one of the important projects to realize the so-called Chuche farming method. At first, the terraced corn fields seemed to be successful in boosting corn production, but later they proved to be the main cause of farmland devastation because the replacement of the pine trees on the slopes with annual

plants, deprived the mountains of the capacity to hold water. In every rainy season, the rice paddies and fields in the plains, and rivers were flooded by soil sliding down from the terraced land.

North Korea appears to be without any solution for the landslides, even after the 30 years of terraced cultivation. Moreover, the terraced fields were also not productive enough because all the agricultural work, ranging from planting to harvesting, must be done by manpower, and the losses of the crops are inevitable because they must be carried downhill by laborers. Corn has already become the staple food for North Koreans, and this means that they must continue to rely on these poor corn fields for survival.

Is Food Still a Weapon To Control the People?

The North Korean ruling hierarchy has boasted that it has been successful in constructing a classless society. However, farmers in North Korea have been always poorer than office or factory workers. North Korea has been endeavoring to convert all cooperative farms into state-owned ones, only being successful on an extremely limited scale, and then attributed the poor living conditions of the farmers to their "ideological backwardness." The gap in the living standards between urbanites and rural inhabitants is growing bigger. The flood damages are likely to impose more sufferings on rural people in remote areas because they have to do without a proper ration of food or commodities.

North Koreans' severe food shortage already began in the mid-1980s, and famine-stricken people, especially in out-of-the-way areas had no other way but to escape the country in search of food. One travel account heard in Chinese cities along the North Korea-China border by a South Korean reporter from Yonhap News Agency (November 15, 1991) vividly depicts the reality: a North Korean family of four, husband and wife with two daughters, fled to the Chinese border city of Tumen across the frozen river. The Chinese authorities there gave them some food and ordered them to return home after a night of rest there. But the next morning they were found to have killed themselves.

Many North Koreans have attempted to escape the land, but most of them were shot on sight or arrested and given heavy punishments. But the exodus continued and the number of North Korean deserters stranded in China numbered roughly 2,000 in 1993. The luckiest of them, though very few, have succeeded in reaching South Korea. Yo Man-chol and his 5-member family arrived in Seoul on April 30, 1993. Yo's wife, Yi Ok-kum, told reporters the following story:

Housewives are forced to keep out of the workshops because many factories are not in operation due to shortages of energy and raw materials. They used to get 600g of grain ration per day for an adult, but the ration has been suspended since August last year. The North Korean authorities now permit the people to travel to nearby countryside to scrounge for corn reserved for livestock. I used to do it.

Following the floods, the North Korean authorities are worried about how it will feed the people. Dr. Piero Calvi Parisetti [name as published] of the Red Cross told reporters in Beijing November 27, after spending about a month in North Korea. Quoting a North Korean government official, he said that the floods wiped out 40% of the rice crop and that in the northern part of the country near its border with China, swollen rivers pushed deep sand over once fertile rice land.

While the ruling hierarchy in Pyongyang was still able to feed its people somehow, it used the scarce food supply as an effective weapon to control the people by adjusting adequately the standard of the grain ration, and thus compelling the populace to become the faithful slaves of the leader. The hierarchy is now desperate to collect as much grain as possible from abroad, but it is yet to be seen whether or not it will be able to overcome the worsening difficulties. No one can predict what will happen in North Korea if it runs out of this weapon. The country is now ruled by military figures who are maintaining a semi-emergency administration system, while the de facto leader Kim Chong-il has yet to be enthroned officially in the post of the head of state. When the rivers bordering China are frozen, the exodus of North Koreans, this time on a larger scale than ever before, may start again. North Korea is now full of unpredictabilities.

Dailies React to DPRK New Year's Editorial **SK0401080996**

[FBIS Editorial Report] The following is a compilation of editorials and an article published in ROK vernacular dailies on 4 January on the New Year's joint editorial North Korea ran in its three major newspapers.

The moderate TONG-A ILBO carries on page 3 a 700-word editorial entitled "New Year's Message of North Korea." The editorial notes that Kim Chong-il is called "the head of the party" in the joint editorial, thus "giving advance notice of his formal power succession." With regard to the DPRK joint editorial's call for "strengthening three major positions" — political, economic, and military, the editorial says this shows Kim Chong-il's "defensive tactic" that focuses on solving domestic problems, contrary to Kim Il-song's "offensive tactic aimed

at communizing the entire Korean peninsula" which was shown in his policy of "strengthening three revolutionary forces." The editorial continues: "This indicates that North Korea's situation has been worsened so seriously that it cannot afford to pay attention to external issues."

Pointing to North Korea's "incomprehensible attitude" of invariably refusing South-North dialogue even after it experienced difficulties in receiving assistance for flood damages from Western countries due to the absence of inter-Korean dialogue, the editorial stresses: "It is impossible for North Korea to achieve economic development, which the North presented as the second primary task in the New Year message, without holding dialogue with South Korea."

The editorial notes: "It seems certain that North Korea will put an end to the transitional period of power succession by the end of this year because North Korea's New Year's message strongly hinted at Kim Chong-il's power succession." The editorial also notes "the official inauguration of the Kim Chong-il regime, which means the solution to internal problems, may bring changes in North Korea's external and South Korea policies."

The moderate CHUNGANG ILBO carries on page 4 a 700-word editorial entitled "North Korea's Policy on South Korea Shown in Its New Year's Message." The editorial says "it would be foolish to expect improvement in South-North relations this year unless a dramatic event takes place," noting "there is nothing that indicates changes in North Korea's policy toward South Korea in the New Year's message of the North Korean authorities." With regard to North Korea's denunciation of not only the ROK ruling circles but also ROK opposition parties, "which it had regarded as its dialogue partner," the editorial says "this confirms that North Korea has no will for dialogue." Then, the editorial urges the government to "not lose consistency in its policy on North Korea while maintaining it flexible."

CHUNGANG ILBO also carries on page 5 a 900-word article by professional reporter Yu Yong-ku, entitled: "The Contents of New Year's Message of North Korea." The article notes North Korea's joint editorial indicates the "firm position" of Kim Chong-il; the "crisis faced by the North Korean system"; North Korea's "firm belief in socialism, which is different from the outside world's view of North Korea;" and "no changes in the North Korean policy." The article concludes by saying "North Korea is still adhering to its reunification front strategy," and saying the joint editorial "did not reflect Kim Chong-il's new policy, thus again pouring cold water on the outside world's expectations."

The moderate KYONGHYANG SINMUN carries on page 3 a 800-word editorial, entitled: "North Korea's New Year's Message Shuns Food Crisis." The editorial notes North Korea's joint editorial "mentioned nothing about its serious food problems." The editorial does not agree to "some experts' analysis that the joint editorial shows North Korea's defensive position," and notes: "North Korea's intention to find a solution of its internal crisis by improving external relations, such as directly dealing with the United States while excluding the ROK, is implied throughout the joint editorial." The editorial stresses that "only the government's correct analysis of North Korea's situation and thorough measures may prevent confusion on the Korean peninsula."

The left-leaning HANGYORE SINMUN carries on page 3 a 800-word editorial, entitled: "Why Don't We Initiate in Unfreezing South- North Relations?" The editorial notes North Korea's joint editorial gave us "no fresh feelings" and regrets that it "expressed no will of North Korea to solve South-North problems by changing its attitude." The editorial emphasizes: "If today's South-North relations are wrong, both South and North Korea, which are responsible for such relations, should seek changes. North Korea did not show its will for this. If we also adhere to the same will as North Korea has, we can never improve South-North relations." The editorial then stresses "we should awaken ourselves to the task assigned to us in 1996 of unfreezing the South-North relations by starting with helping North Korea in a difficult situation."

Significance of North's New Year Message Viewed

*SK0401060796 Seoul MUNHWA ILBO in Korean
3 Jan 96 p 4*

[Article by Kim Sung-hyon: "The Significance of North Korea's New Year's Message"]

[FBIS Summary] Inter-Korean tension will continue for the time being in light of North Korea's "theory of strengthening the three bases of socialism," which was set forth in its New Year's message.

The theory mainly contained the following: to absolutely adhere to socialism, North Korea should strengthen the political and ideological work for the prevention of the imperialists' ideological and cultural infiltration; intensify the socialist economic foundation based on the development of agriculture, light industry, and foreign trade; and safeguard the socialism of its own style in confrontation with the imperialists and "all kinds of reactionaries."

In this proposition, North Korea has stressed Kim Chong-il's pet theory that priority should be given to

arming the North with ideology with a view to adhering to socialism.

Commenting on this, North Korean experts stated that the "theory of strengthening the forces of three revolutions" in the Kim Il-song era was an offensive strategy to strengthen the revolutionary forces in the international community, and North and South Korea, for the communization of the Korean peninsula. On the other hand, the "theory of strengthening three bases" is a defensive strategy aimed at consolidating its internal forces. It has been learned that North Korea has put forward the theory of three bases, instead of the theory of strengthening the forces of three revolutions, considering the pressing reality in which it needs to maintain its system.

The North Korean experts added: "In the New Year's message, North Korea stated that it sharply confronts with the imperialists and all kinds of reactionaries, an indication that a serious conflict is taking place within North Korea."

In addition, "meaningful" allusions to Kim Chong-il were made several times in the New Year's message, making it possible to predict his possible assumption of power within this year.

North Korea has not yet shown the possibility of changes in its foreign policy. In view of its repetitive call for the establishment of a peace agreement with the United States in the New Year's message, North Korea is expected to give top priority to improving relations with the United States. Also, North Korea shows its unwillingness to improve North-South relations for the time being by strongly denouncing South Korean lawmakers as corrupt.

Professor Views DPRK Political Development

SK0301061496 Seoul VANTAGE POINT in English
Dec 95 Vol. 18, No. 12 pp 13-15

[Interview with Yu Sok-yul, professor at the Institute of Foreign Affairs and National Security, by unidentified reporter; place and date not given: "Delay in Kim's Succession to Power May Continue Beyond Next July"; first paragraph is VANTAGE POINT introduction]

[FBIS Transcribed Text] Yu Sok-yul, 58, is a professor at the Institute of Foreign Affairs and National Security run by the Ministry of Foreign Affairs in Seoul. He is also president of the Korean Association of Social Education and concurrently president of the Korean Association of East Asia Studies. His publications include "Unification Policies of South and North Korea" and "Opening of Communist World and North Korea" [as published] Dilemma."

Question: Indications from many sources this year are that North Korea is ruled still by Kim Il-song's "Yuhun," that is, the teachings he left behind, although he died more than a year and a half ago. North Korea has yet to formally choose a new head of state to succeed him. How do you view this abnormal political development in Pyongyang?

Answer: I believe successor-designate Kim Chong-il and his supporters are using the "Yuhun" to cement the younger Kim's power base. The junior Kim himself knows he lacks the charisma enjoyed by his father. He has probably judged that his hasty succession to power in this emergency situation will shorten his political life. The possibilities are high that he will rule North Korea under the shield of his father's authority, at least for the time being. Noteworthy is the slogan, "Great Leader Kim Il-song Will Be With Us Forever." The senior Kim's embalmed body has been put in a place which was his presidential office.

It is unlikely that the junior Kim will assume the office of state president before coming July, when the traditional two-year mourning period for his father will end. He may delay his official succession longer, if he feels it is necessary.

Many North Korea watchers are doubtful about the junior Kim's position as the undisputable successor because of his long delayed succession to power. Some of them even doubt his leadership position in the Pyongang regime and point to the possibility of a collective leadership. What is your view on this matter?

The delay in his succession to power might be an indication of some trouble in his ability to control the military. Noteworthy are his frequent visits to army units. There might be some disharmony in the ruling circles. The possibilities are high that the technocrats do not agree with the Kim Chong-il's hard-line policies. The strong influence of the aged Party and military leaders may hinder the junior Kim's efforts to seize a monopoly on power. Under such circumstances, North Korea has no option but a collective leadership system with the junior Kim at the top, a view shared by many North Korea analysts.

The situation facing North Korea is unfavorable for holding a gala coronation ceremony for Kim, even if he is in charge. At stake is the economy, which has been slumping in recent years. And to make matters worse, the country suffered from heavy flood damages last summer.

Time is not necessarily on Kim's side. The junior Kim has delayed his power succession to reinforce his power

base, but ironically, such a long delay can adversely affect the success of his heirship.

Do you see any policy difference between the senior and junior Kims? Will the younger Kim open the doors wider and carry out substantial reforms?

In the last days of his rule, Kim Il-song made surprising overtures in a bid to prevent the collapse of his regime. He curried favor with Washington and Seoul, long called Pyongyang's arch enemies. Just weeks before his death, the senior Kim invited former U.S. President Jimmy Carter to Pyongyang which served to end the impasse in the nuclear issue. The junior Kim, however, will unlikely follow up with this reconciliatory gesture made by his father.

He may have decided that friendly ties with capitalist countries can threaten the totalitarian political system in North Korea and undermine his scheduled dynastic succession to power. For this reason, he seems to be keeping his hard-line stance and to be employing a confrontation strategy. Some North Korea watchers say he favors reform and open-door policies. I believe this view is incorrect. The Najin-Sonbong Free Economic and Trade Zone is merely an attempt to bail his country out of a sinking economy. The barbed-wire fences around the zone, which resemble a border line, is evidence.

Aged military leaders have taken key army posts Oct. 8, betraying some Pyongyang watchers' expectation for a generational shift in the military following the death of Marshal O Chin-u last February. How do you interpret this development?

Kim Chong-il seems to be employing a two-pronged personnel management policy as far as the military is concerned. He has given honorary posts to aged leaders such as Choe Kwang, 77, Kim Chol-man, 77, and Paek Hak-nim, 77. He needs their support to solidify his power base. He has assigned his younger aides, including Gen. Kim Tu-nam, 68, Kim Kang-hwan, 63, and O Kuk-yol, 64, to field posts which virtually control the military. Of course, Kim Chong-il places more weight on these men.

The promotion of Choe Kwang to be minister of people's armed forces is evidence of Kim's personnel management style. We, however, can hardly exclude the possibilities of a discord between the senior and junior military leaders. The aged leaders may be discontented about their nominal positions, while the younger generals may want higher posts.

What is your evaluation of North Korea's policies toward South Korea this year?

Pyongyang is employing a double-faced strategy in relations with Seoul. It has steadily escalated its political offensive on the one hand, while asking for economic aid on the other. North Korea has continued its anti-Seoul propaganda campaigns and has even sent espionage agents to the South. It is still teaching its citizens to regard South Korea as their arch enemy. Anyhow, it has sought to create tension on the peninsula, which may help maintain its tight control over its citizens and attain its goal of concluding a peace agreement with Washington to replace the current truce agreement.

Pyongyang's willingness to accept 150,000 tons of rice donated by Seoul reflected the extremely adverse food situation facing the North Korean economy. But also evident is Pyongyang's reluctance to establish government channels for inter-Korean economic cooperation. Its double-edged strategy toward Seoul this year was exposed in August when North Korean armed agents infiltrated into the South, while the shipment of South Korean rice to North Korea was under way.

The improvement of inter-Korean relations is a prerequisite to the normalization of ties between Pyongyang and Washington, as suggested in the framework agreement between them. For this reason, Pyongyang is expected to show reconciliatory gestures toward Seoul sooner or later. There is a theory of survival which argues that North Korea has been engaged in talks with Seoul to ensure its survival. Probably under this survival strategy, Pyongyang had signed an agreement on reconciliation, nonaggression and cooperation with Seoul in December 1991, following the collapse of the Communist bloc.

Researcher Views DPRK Human Rights Situation

*SK0301102796 Seoul VANTAGE POINT in English
Dec 95 Vol. 18, No. 12 pp 27-36*

["Studies" by Byoung-lo P. Kim, senior fellow at the Research Institute for National Unification in Seoul: "Human Rights Policy of the Kim Chong-il Regime"]

[FBIS Transcribed Text] I. Prospects for Changes in Internal Policies

A prediction of the future development of North Korea's internal policies regarding human rights can be made by approaching in two directions: an analysis of its political and civil rights and that of its economic, social and cultural rights.

1. Tighter Control Over Political and Civil Rights

Like many Third World countries, North Korea denies the Western-style politico-civil rights under the pretext that it must stick to the principle of self-determination.

North Korea has undertaken legislation in such a way as to prevent any foreign intervention in its policy on politico-civil rights. Its Socialist Constitution, enacted in 1972, carried a provision stipulating simply that the citizens shall be arrested according to the law, but a constitutional amendment in 1992 has added, in Article 78, the additional concept of "detention and "house search." In other words, the 1992 Constitution, now in effect, prohibits in principle any arbitrary detention and arrest of a citizen, or the search of one's home. Until 1992, officials of the Public Security Ministry and the heads of people's neighborhood associations had conducted house searches at any time, day or night, in the name of "sanitary inspections," thus infringing upon citizens' privacy. Practically, however, the constitutional amendment was aimed at providing a legal base for control over the citizens and, at the same time, at preventing foreign criticism of human rights violations in North Korea.

In addition, North Korea also amended the Criminal Procedure Law on January 15, 1992, in such a way as to adopt the principle of a trial based on evidence (Articles 35 and 36). Noteworthy is that Article 11 of the law emphasizes careful discretion in applying legal enforcement like the detention of a person, thus giving the impression that the human rights situation in North Korea is improving. Also, Article 4 stipulates that "the state shall ensure human rights thoroughly in dealing with criminal cases.

North Korea amended the Regulations on Lawyers in April 1994 to stress lawyers' role in protecting human rights. Article 2 of the amended law stipulates that "in the Democratic People's Republic of Korea lawyers shall protect human rights and safeguard the state's legal system through their defense activities and legal assistance." The Law on Lawyers enacted in 1948 defined a lawyer simply as a spokesman for the workers and farmers, but the revised law emphasizes the guarantee of human rights by watering down the political and ideological tone. Again, Article 23 opened the way for activities of foreign attorneys in North Korea by stating that "foreign lawyers may also be qualified for activities in the Republic as lawyers under the principle of reciprocity."

These changes were reflected in Kim Chong-il's paper entitled, "Giving Priority to Ideological Indoctrination Programs Is a Prerequisite to Carrying Out the Great Socialist Task," which was published June 19, 1995. In the paper, Kim stressed the need to provide a legal base for preventing the imperialists' cultural infiltration and to control the citizens through legal proceedings.

This clearly indicates that the Kim Chong-il regime is determined to arm itself with legal tools to tighten its control over society. But Kim's government is busy intensifying ideological indoctrination programs, thus exposing its position not to tolerate the slightest easing of control in the political and ideological arena. Kim Chong-il has asserted that ideological indoctrination must be conducted in such a way as to contribute to the accomplishment of revolution.

It is beyond doubt that the Pyongyang regime has fully exploited this new legal arrangement for its internal and external propaganda purposes by propagating that in North Korea human rights are protected by law. But probably that development also reflected a practical need. An open-door policy, which is essential to the successful operation of the Najin-Sonbong Free Economy and Trade Zone, certainly requires the enactment of more specific laws. In the closed society of North Korea, the authorities could dispense with specific laws necessary for maintaining social order because social practices based on socialist revolutionary thoughts as well as the ideological doctrine of *chuche* suffice to control and administer the populace. Therefore, it appears that North Korea, assuming inevitable progress in its opening, judged it necessary to prepare specific laws regarding politico-civil rights of the people in the hope of blocking in advance a rise in demands for an extension of "capitalistic" human rights on the part of its people. The new laws are also intended to restrict legally the scope of activities of managers and employees at foreign businesses.

North Korea will likely push ahead with a policy to continue to limit the politico-civil rights of its citizens through more practical legislation and strengthened disciplinary actions.

2. Enlargement of Socioeconomic and Cultural Freedom

Whenever the question of its human rights violations was raised in the international community, North Korea maintained that human rights are protected in North Korea in the light of the people's economic, social and cultural life. North Korea will most likely continue to trumpet that it is pushing ahead with policy reforms regarding economic, social and cultural rights, in an effort to give the impression that human rights are guaranteed there.

1) Animation of Private Economic Activities

Despite North Korea's persistent allegation that a stable economic life will eventually ensure the protection of human rights, the North Korean economy has suffered continuous stagnation since the latter half of the 1970s.

bringing about miserable living conditions. In an effort to correct structural problems in the North Korean economy, Kim Chong-il in February 1984 attempted to increase the production of light industries, though the priority was still placed on heavy industries, and allowed private economic activities. Under the slogan of the "light industry revolution," Kim on August 3 that year launched a campaign to increase the production of consumer goods, encouraging the farmers to cultivate their backyards and permitting them to sell the products there on the traditional markets, called "Changmadang" (market place). These were among the measures to provide farmers with incentives.

He also allowed workers' side jobs of producing daily necessities making use of the byproducts from factories and self-procured raw materials, and selling them for themselves. To encourage such side jobs, North Korea opened a "direct-selling store" each in more than 200 cities and counties. As a result, there appeared everywhere in North Korea small-scale factories and business concerns, with the birth of more than 500 factories and work teams a year. Aside from those sidejob teams, people's neighborhood organizations organized homework teams to produce such items as garments, socks, shoes and school supplies, and they sold the products in these direct-selling stores.

The producers of "August 3 People's Consumption Goods" enjoy relative autonomy in management, and are partially free from state control regarding production, distribution, labor administration and pricing. Recently, however, as their production showed a sharp increase, North Korea began to control that production system. For all of that, it is undeniable that there has been a change in the people's right of economic activities as the state introduced flexibility, although limited, in the people's economic life by allowing those autonomous enterprises. In fact, North Korea had to admit partially a capitalist principle of the market economy on supply and demand by encouraging the cultivation of backyards and the traditional markets, in an attempt to redress the inefficiency of its planned economy. On the farmer's market, prices are determined in negotiations between the sellers and the buyers, although they are also affected by the state pricing policy. Farmer's markets open three times a month (1st, 11th and 21st of the month) at one or two places in each county, and there farmers sell vegetables and home-made articles.

Similar changes can also be found in the methods of management as the application of an independent accounting system (a variation of a self-financing system), which was formerly allowed only the manufacturers, has been extended to all sectors. North Korea also appears to have eased in part restrictions on people's travel to ob-

tain food. North Korea has issued travel permits. However, an insufficient and delayed distribution of food due to chronic food shortages has forced people to visit frequently their relatives living in other regions in search of food, which has naturally resulted in easing the travel restrictions.

Thus, the Kim Chong-il regime will certainly try to show off how it is making efforts to safeguard the people's human rights by taking various measures to ease restrictions and bringing about institutional changes for the improvement of the people's economic life. In this respect, it is expected that the Kim Chong-il regime will push forward with policies to allow the populace to widen their sphere of private activities in the economic field, albeit limited in scope.

2) Easing of Discrimination

The policy of discriminating the people according to their class background in North Korea has been aimed at facilitating the surveillance and control of the populace. Under this policy all the people were given security ratings according to their political orientation after a scrutiny of their family backgrounds. North Korea has repeatedly undertaken projects to reclassify its citizens, e.g., the "Central Party Intensive Guidance Project" from December 1958 through January 1960, a residents' re-registration project over a year beginning in 1966, the "3-Class, 51-Category Classification Project" from 1967 to June 1970, the "Project for Analysis of Naturalized Foreigners and Defectors from the South" in April-October, 1980 and the "Project to Classify Repatriates from Japan" in January-April, 1981, among others. Based on all those projects, North Korea finally categorized the entire populace into three strata, i.e., the core class, the stable class and the unstable class, for different ration of daily necessities and social benefits according to these classes.

During the period 1967-1970 when the so-called "3-Class, 51-Category Classification Project" was implemented, North Koreans suffered the severest human rights abuses. Then North Korea sought to cement the base of Kim Il-song's "Yuil" (monolithic) leadership, and purges and oppression were rampant everywhere, which coincided with the epoch of "cultural revolution" in China. Even after that period North Korean society was kept in extreme tension, and human rights oppression was aggravated during 1973-1976, in which Kim Chong-il began to take part in Party affairs and consolidated his power base.

It was natural that such a rigid policy of political classification should arouse complaints and a loss of labor incentive among the people, in the end resulting

in Kim Chong-il's taking measures to moderate the discrimination policy in the mid-1980s. Eventually, in 1987 North Korea produced and put on the screen a film entitled, "Guarantee," whose story tells that a person should be rated by the criteria of his present political thought regardless of his political and family background in the past. This film was used as a propaganda tool publicizing Kim Chong-il's efforts to ease the discrimination.

From January 1993 on, NODONG SINMUN, the Party organ, has intensively focused on waging propaganda on Kim Chong-il's "Indok (benevolent virtue) Politics" and "Kwangpok (extensive magnanimity) Politics." This implies Kim Chong-il is inclined to renew his ruling philosophy by setting out a new policy of guiding the masses based on love and trust, disregarding their background. NODONG SINMUN said: "It is a politics which embraces and leads warmly not only the stable class but all those with complicated background." The paper further paraphrased: "A politics for the people must be based on the ruler's unfathomable magnanimity; otherwise, the ruler will be unable to encompass all wishes of the masses, who will eventually turn away from politics. It will be impossible to treat the entire people as the master of politics."

Kim Chong-il's initiative to ease the discrimination policy was further supported by his thesis entitled, "Socialism Is Science," which was publicized in NODONG SINMUN in November 1994. His paper hinted that he would be more generous toward the "unstable class," who thus far have been the target of oppression. Kim Chong-il said: "Our Party's Indok (benevolent virtue) Politics is aimed at governing the people of all strata without any discrimination. In that sense, our Party's Indok Politics can also be called a Kwangpok Politics."

3) Construction Permits for Religious Facilities

The constitutional amendment in 1992 removed the clause granting the freedom and right of anti-religious propaganda, which had been inserted in the 1972 Constitution together with a paragraph assuring freedom of religious faith. However, the provision was supplemented with other phrases such as, "No one shall be allowed to make use of religion for the purpose of inviting external power or undermining the state's social order" and the "Construction of religious facilities or the performance of religious rites shall be guaranteed" (Article 68). These provisions are symbolic and intended for the purpose of propaganda, merely serving the need of North Korean government to induce South Korean or foreign religious people to visit North Korea. North Korea now allows foreign visitors to hold religious services there, obviously in an attempt to show off that there is freedom

of religion in North Korea. This gesture of tolerance toward religion already appeared in the latter half of the 1970s.

At the same time, however, it may also be true that the Pyongyang regime had no choice but to amend the religion-related provisions in the 1992 Constitution, though ostensibly, by inserting a provision regarding the "permission of religious rites" in order to adapt itself to the changes of the times. In fact, North Korea once had, as stipulated in the first Constitution of 1948, allowed its citizens to "enjoy the freedom of religious faith and holding religious services," as it was not readily prepared for the oppression of religion before it decided to exclude the provision in the 1972 Socialist Constitution. But this time North Korea was almost compelled to allow freedom of religious belief due to changing international environment, which demanded North Korea's reforms and opening.

4) Enlargement of the Realm of Cultural Life

North Korea now seeks to induce tourists to earn foreign exchange. To this end, North Korea needs to improve recreational facilities as well as its cultural atmosphere. Pyongyang, the capital city, has already prepared such facilities as golf courses and karaoke, and fee-charging taxi service for foreigners. It now seeks to enlarge the sphere of citizens' cultural life by planning to introduce "capitalist" games, namely, paduk (go), baseball, softball, bowling and professional boxing, among others, with the view to placating the people's complaints against the state's political-civil control.

The Pyongyang regime, in the course of establishing a socialist lifestyle during the 1950s and 1960s, banned all traditional customs such as sixtieth birthday celebrations, funerals and ancestral rites as well as some traditional festive seasons such as Chusok (the Korean version of Thanksgiving Day), Sol (New Year day), Tano festival, and the like, on the ground that they run counter to the socialist mode of living. However, beginning in the 1970s, North Koreans have been allowed to resume some of the old customs and festivals, e.g., 60th birthday celebrations and memorial rites, and to visit nearby ancestral graves during the Chusok season. Again, North Korea has turned to emphasize purposely the revival of traditional Korean culture, starting in 1988, designating Chusok, Sol and Tano as national holidays.

North Korea even introduced the "Regulations on Citizens' Attire" in February 1986, thereby encouraging women to wear skirts and other colorful attire. In 1992, the Costume Research Center under the Light Industry Commission published a fashion magazine, "Otcharim" (Attire), and held a fashion show in Wonsan.

Permitting professional sports in North Korea is also a sign of changes in the existing ideology-oriented cultural structure. As to boxing, a professional boxing association was organized in 1992 and the '93 National Professional Boxing Championships were held in April 1993. The Pyongyang Cup International Football Meet, which was first organized in 1990, continues to be held, offering a prize of \$35,000. In February 1995, it also held the first Pyongyang Bowling Match. Bowling had been considered a bourgeois sport.

Professional wrestling was introduced for the first time in April 1995, on the occasion of the International Athletic and Cultural Festival for Peace held in Pyongyang. Twenty-six professional wrestlers, including two women, from the United States, Japan and Mexico participated in 16 matches. These events can hardly involve anything directly beneficial to the North Korean populace or directly contributory to their human rights improvement; yet at least they require enactment of various regulations to ease government control in terms of cultural affairs and some measures to respect their cultural rights.

The enlargement of the realm of cultural life seems to have been pushed ahead as part of the social integration policy of the Kim Chong-il regime after the death of Kim Il-sung. It is readily predicted that the recent cultural opening measures taken by North Korea may inflict a serious "cultural impact" upon the people. Therefore, North Korea must have risked such an opening so as to conform with the actual situation in which it has been impelled to widen the realm of cultural life, albeit on a selective and limited basis, in order to cope with the aftermath of coming reforms and opening.

In conclusion, it is highly possible that the Kim Chong-il regime will maintain its human rights policy by tightening its control over politico-civil rights of the people more than ever and strengthening punishments against any violation of the laws, the principle of collectivism. At the same time, North Korea will likely widen the extent of freedom, though partly, in the areas of economic, social and cultural rights, thus protecting itself from outside pressures regarding the human rights issue and seeking to achieve internal social integration.

II. Outlook of North Korean Policy To Counter Western Pressure Over the Human Rights Issue [subhead]

1. Intensification of Propaganda Claiming "Our Style" Human Rights Policy

North Korea will likely claim that it will maintain "our style (or our version of) human rights" and the principle of nonintervention in foreign affairs in responding to the West's call for an improvement of

the people's political rights in North Korea. It will try to justify its own human rights policy on two points. One is the logic of "rights of development" claimed by the Third World. Pyongyang usually resorts to this logic, which was especially emphasized at the second World Human Rights Conference held in Vienna in June 1993, in defending itself whenever the Western world raises questions about the North Korean human rights policy. Third World countries contend that feeding the people is more an act of respecting human rights than making them enjoy politico-civil rights. Meanwhile, North Korea has insisted that the North Korean people are economically assured of human rights, yet it is all the more actively supporting the logic of development rights, perhaps in the hope of removing political disadvantages by cutting off in advance any possible exertion of pressure by the West on developing countries on account of human rights abuses.

The other viewpoint is the relativity of political culture among nations. North Korea appeals to its own "North Korean-style" human rights policy, invoking the concept of human rights actually prevailing among Third World countries in Southeast Asia and Africa. Recently there has emerged a theory of neo-authoritarianism advocating a transition stage of authoritarianism that might be necessary, instead of immediate practice of democracy, in the light of political changes in ex-socialist countries. Also, an argument on a new concept of Asiatic democracy, the Singaporean model, has served to ease the Western criticism of the human rights abuses in socialist countries. In this way, the Pyongyang regime, like many other Third World countries, strongly repudiates Western-style politico-civil rights under the pretext of its own right of development and right of self-determination.

North Korea has recently proclaimed its own concept of human rights, using the words "our style of human rights" in an article of NODONG SINMUN entitled, "Advocating Veritable Human Rights." The article claimed: "The imperialists are applying a double-faced criteria regarding human rights problems. The imperialists' maneuvers of protecting human rights are used as political tools to intervene in the internal affairs of other nations and sport with the fate of other races, always trying to trap in a loop human rights in those countries which will resist their intervention and pressure."

The paper further defined the concept of human rights, saying: "In dealing with human rights we will not ignore the class consciousness, and socialist human rights are not anything that transcend the class concept in a way of permitting freedom and rights even to the hostile elements who oppose socialism and the impure elements who encroach on the interests of the people."

It has also made it clear that the human rights of political offenders shall not be the object of protection, denouncing anti-revolutionary elements and political offenders as "traitors, betrayers of the country and the dregs of mankind who have thoroughly betrayed the interests of human beings." By "our version of human rights," North Korea means that the enemies of the classes are the targets of oppression and that only the ones, who serve the Party and the leader with loyalty, deserve the right to enjoy human rights.

If the United States happens to bring up seriously the question of human rights against North Korea, the latter will most likely respond with first, by a denunciation of the political infringement of sovereignty and then a repulsive disclosure of human rights abuses in the United States. At the same time, it is assumed that North Korea will rush blindly toward a justification of the "our style of human rights," while disclaiming the U.S. conception of human rights and insisting that the protection of human rights should be ensured independently according to the actual situation of each country. In other words, it is observed that North Korea will continue to be opposed to the universality of human rights concept and indulge itself in an intensive propaganda campaign to say there exists no violation of human rights in North Korea under the rule of "Indok Politics."

2. Strengthening of Human Rights Diplomacy Through Conciliatory Policies

It is also foreseeable that North Korea will pursue a policy to accept partly the demands of human rights organizations in a gesture of conciliation with the West, while firmly sticking to its own concept of human rights. Especially the (North) Korean Association for Human Rights Studies seems to play a key role in striking out systematic and scrupulous countermeasures to cope with possible criticism over human rights abuses in North Korea.

Recently North Korea has shown a somewhat positive attitude in responding to persistent Japanese inquiries of the present living conditions for the Japanese wives who had gone to North Korea along with their Korean husbands. The resumption of talks on the normalization of Pyongyang-Tokyo relations is undecided, and Pyongyang simply explained that the wives are leading happy lives in North Korea. So far many cases of human rights abuses in North Korea involving Japanese wives have been revealed to the international community by some Japanese who have visited North Korea. This has invited pressure from the Japanese side to allow them to visit their homeland, Japan. North Korea has begun to report the experiences of a repatriated couple to em-

phasize that the repatriates are "leading beautiful and happy lives," which may be unimaginable if they were in Japan. Pyongyang seems to be taking preemptive measures to calm down anti-North sentiments now prevailing even among members of the pro-Pyongyang association of Korean residents in Japan, dubbed "Chongnyon," and to shut off the question of the "Japanese wives" from being put on the agenda at future talks with Japan on the normalization of relations.

Meanwhile, U. S. pressure upon North Korea regarding human rights violations are the most sensitive factor to influence changes in North Korea's human rights policy. However, it is hard for the United States to bring the North Korean human rights issue to the fore, at least for the time being, because it is more earnestly engaged in perpetuating the freeze of North Korea's nuclear program even by assisting Pyongyang to build light-water reactors. North Korea has presumably demanded that the United States should give up its policy of pressuring North Korea on human rights at the time of North Korea-U.S. negotiations for the settlement of the incident of a U.S. Army helicopter which crash landed in North Korea on December 17, 1994. When U.S. Assistant Secretary of State Hubbard visited North Korea (December 28-30, 1994) for talks on the repatriation of the helicopter pilot, he promised that the U.S. would give favorable consideration to the question of repatriating Pyongyang-claimed Communists from prisons in South Korea, thus making it difficult for the United States to pressure North Korea regarding human rights violations through official diplomatic channels. Nonetheless, the United States always keeps the question of international human rights improvement as one of its key diplomatic goals, and therefore it is easy to imagine that U. S. pressure on North Korea will continue in the future.

On the other hand, various measures of economic opening taken by North Korea, in connection with the development of the Najin-Sonbong special economic zone, have seemingly played an important part in ameliorating North Korea's image as an oppressor of human rights. North Korea now seeks to improve actively its economic cooperation with capitalist countries including the United States after an arrangement of laws necessary for economic opening. Therefore, North Korea seems to be in a position to keep its economic opening measures pushed ahead, though limited, in order to conceal the truth of political oppression and human rights abuses and prevent foreign pressure regarding human rights violations under the cover of improving economic relations.

Currently North Korea is not exposed to immediate pressure from within as there is as yet no formation

of groups or organizations to resist the existing system and demand the improvement of human rights. Almost similar to the case of China, North Korea has responded to the West's pressures against North Korea's human rights abuses with a phase by phase process of changing policies, an unconditional denial or refusal at first, then a partial introduction of improvement measures. In conclusion, North Korea will probably strengthen its human rights diplomacy, relying on its policy of conciliation with the United States and Japan, so as to conceal its serious abuses of human rights.

ROK-Japan-PRC Operation Nets Drug Dealers

SK2712093795 Seoul THE KOREA HERALD in English 26 Dec 95 pp 3, 12

[FBIS Transcribed Text] Joint operation by investigative authorities of South Korea, Japan and China has led to a crackdown of three Korean drug trafficking rings, the prosecution announced yesterday.

Thirty-five dealers have been arrested and 29 others were being sought, it said.

The drug traffickers were charged with manufacturing large quantities of methamphetamine, popularly called "hiroppon" here, in Chinese cities and smuggling it into Korea and Japan.

The prosecution said it has busted the drug rings after three months of cooperation with Japanese and Chinese police.

Those arrested included 28 members of the "Shenyang faction" led by Yi Son-myong, 41, and five of the "Changchun faction" headed by Kim Pu-kil. Three Shenyang faction members turned out to be former police officers.

The Shenyang faction head Yi was accused of manufacturing 6 kg of hiroppon in China and selling it in Korea and Japan.

The prosecution said it has confiscated 1.5 kg of methamphetamine that has a street value of about 7.5 billion won, along with 100 syringes, and 10 million won in Korean currency, \$17,000 and some Chinese currency.

"We will continue cooperation with Japanese and Chinese law-enforcement authorities to root out drug traffickers from the region," a prosecution spokesman said.

Israeli Team Discusses Arms, Expertise Sales

TA0401122896 Jerusalem Qol Yisra'el in Hebrew 1100 GMT 4 Jan 96

[FBIS Translated Text] A large military delegation from Israel is in Seoul to discuss a deal involving the sale of

sophisticated weapons and military expertise to South Korea. Correspondents report that the deal apparently includes Israeli-made unmanned assault aircraft. It was reported that the sides are also discussing the sale of North Korean Scuds to Iran and Syria. According to various reports, Israel is seeking South Korean and U.S. assistance in securing a halt to the sale of these missiles to Middle East countries. The reference is mainly to Nodong surface-to surface missiles with an estimated range of 1,000 km.

The Israeli Embassy in Seoul has confirmed that a delegation headed by Major General Eytan Ben-Eliyahu arrived in the South Korean capital yesterday and is conducting intensive talks with the leaders of the local defense establishment. The visitors met with the deputy defense minister today and will tour the South Korean Army headquarters tomorrow.

Buying Foreign Currency Allowed Sans Passports

SK0401024696 Seoul THE KOREA TIMES in English 4 Jan 96 p 9

[Report by staff reporter Yi Chang-sop]

[FBIS Transcribed Text] This week, individual Koreans will no longer need to provide any documents, including passport, to banks when they buy foreign currency up to 10,000 dollars, the Ministry of Finance and Economy [MOFE] said yesterday.

Individuals will also be free to possess unlimited foreign currencies as long as they obtain them "through normal transactions," including a foreign currency-denominated salary. So far it had been a "crime" for Koreans to possess foreign currency.

Koreans are also able to keep up to 30,000 dollars in banks overseas, excluding foreign banks having no branches here, and carry out foreign currency up to 10,000 dollars (or 8 million won in Korean currency) when they travel abroad.

A family of four members will be able to take out up to one million dollars when they emigrate overseas. Koreans staying abroad for more than one month will be able to use more than 10,000 dollars, the ministry said.

Koreans will be free to remit up to 5,000 dollars in each case, without providing documents, to family members, relatives and friends abroad.

But those remitting money of more than 10,000 dollars might be placed under the scrutiny of tax offices, the ministry said. But a remittance of more than 500 dollars must be made through one bank each individual designate.

From this year, it is no longer a crime for Koreans to carry, remit and use foreign currency within a pre-set amount. Even if they violate the foreign currency rule, they are subject to fines or tax audit, not jail terms, the ministry said.

Korean employers are able to pay salaries in foreign currency to foreign workers. Koreans are able to pay in foreign currency, up to 1,000 dollars, when they buy goods here, as long as merchants are willing to accept the foreign currency, the ministry said.

Although Koreans are able to hand-carry foreign currency out of the country, they must still abide by the rules and limits of the country they are visiting, the ministry said.

Many countries ask foreigners to report, upon arrival, the amount of money they carry, and they are restricted, in many cases, from taking out currencies of the countries foreigners are departing.

An MOFE official said Korean travelers must know that different countries have different foreign currency rules. Without full understanding of the different currency rules, Korean travelers may end up paying fines or serving jail terms abroad, he added.

Court Rules Election Law Clause Unconstitutional
SK2712052695 Seoul YONHAP in English
0454 GMT 27 Dec 95

[FBIS Transcribed Text] Seoul, Dec. 27 (YONHAP) — The Constitutional Court ruled Wednesday that the election law providing for big population differences between electoral districts is unconstitutional.

Examining a constitutional suit filed by Lawyer Yi Sok-yeon and others against the law, the court's plenary panel decided that the law infringes upon the constitutional rights of equality and voting.

Under the law, the population gap between electoral districts can be as wide as 1-to-5.8. While Changhung of South Cholla Province has a population of only 61,500, the Haeundae-Kijang district of Pusan has 361,900.

Five justices of the court, including President Kim Yong-chun, said in their majority opinion that the gap should not be wider than 1-to-2.

Justice Cho Sung-hyon was the lone dissenter in his minority opinion.

With the ruling, the National Assembly will sit in a special session next month to revise the election law.

Chon Drinking 'Water Enriched With Nutrients'

SK2712050995 Seoul YONHAP in English
0302 GMT 27 Dec 95

[FBIS Transcribed Text] Seoul, Dec. 27 (YONHAP) — Jailed former President Chon Tu-hwan has been drinking spring water enriched with nutrients since Monday, a National Police Hospital doctor said Wednesday.

Chon, who was arrested and detained at Anyang prison Dec. 3, was taken to the National Police Hospital in southern Seoul last Thursday. Health concerns arising from his prolonged fast, which he started upon his detention, prompted the transfer.

"At his request, we have been supplying spring water to Chon in place of barley tea since Monday evening," Dr. Yi Kwon-chon told reporters Wednesday morning. "the spring water contains such nutrients as sugar, potassium chloride, vitamin and salt."

He said that Chon asked for unboiled rice water after his wife Mrs. Yi Sun-cha visited him at the hospital Monday. Asked whether he supplied the rice water to Chon, he simply said, "We didn't."

Chon was indicted last Thursday on charges of having masterminded the Dec. 12 military mutiny in 1979.

Because of possible collapse from dizziness, Chon has been instructed to relieve himself and brush his teeth on or near the bed, Yi said. Chon has reportedly refused to comply with the instruction.

Commenting on Chon's health, the doctor said, "Signs of anxiety are being seen in which Chon is sometimes unable to express himself well. Otherwise, no signs of serious abnormalcy have been detected as yet."

No Tae-u Admits To Giving \$200,000 to Daughter

SK2712114495 Seoul YONHAP in English
1006 GMT 27 Dec 95

[FBIS Transcribed Text] Seoul, Dec. 27 (YONHAP) — Former president No Tae-u conceded Wednesday that he gave his daughter in 1989 the 200,000 dollars which she deposited at 11 separate banks in the United States in 1989 in violation of American law.

His daughter, So-yong, was prosecuted in the U.S. for bringing in the money without declaration and the money was later confiscated by U.S. law-enforcement authorities.

An official at the Prosecutor General's Office said No's statement was obtained during questioning of him at the Prosecutor General's Office Tuesday.

No was quoted by the official as saying, "During my tour of Europe in late 1989, one of the leading businessmen who accompanied me to the trip gave me 200,000 dollars for use as travel expenses, which I gave to my daughter when I dropped into the United States after the tour."

But, the businessman who No said gave him the 200,000 dollars told investigators the amount he gave No was far less than the cited amount and besides he handed the money to No in the country, not during the trip, the official said.

Government Plans Spending for First Half of 1996

SK2712051395 Seoul YONHAP in English
0236 GMT 27 Dec 95

[FBIS Transcribed Text] Seoul, Dec. 27 (YONHAP) — The government will spend more than 50 percent of next year's budget during the first six months of 1996 in an effort to keep business from falling into a sudden slump.

A total of 61,433 billion won — 34,821 billion won from the general-account budget and 26,612 billion won from the special-account budget — was allotted for the first half of 1996, according to the budget execution and funding plan drafted by the finance and economy ministry. The state council passed the plan at a meeting Wednesday.

The plan is designed to pump much more funds into public-sector projects during the first half of next year as opposed to the same period this year so that such projects could help the economy make a soft landing. The economy is expected to be down next year from the peak it reached this year.

The general-account budget funds set aside for appropriation in the first half account for 60.1 percent of the 57,962-billion-won general-account budget for all of 1996, compared with the 53.6 percent that was set aside for the first half this year.

Under this plan, the ministry will release 50,459 billion won — 28,576 billion won in general-account budget and 21,883 billion won in special-account budget — during the first half, ministry officials said.

In particular, 3,216 billion won for road construction and expansion projects will be released during the first half, accounting for 77.2 percent of the 4,167-billion-won budget for these projects for all of 1996. Additionally, 378 billion won for dam construction projects will be appropriated during the first half, making up 98.4 percent of the 384-billion-won budget allotted for such ventures.

The entire 12.5-billion-won budget for the Incheon harbor expansion project and the entire 27-billion-won Kwangyang port expansion project will also be completely released during the first half.

In addition, small business support funds, with a budget of 600 billion won for next year, will be entirely released during the first half. The funds are intended to help such financially weak firms cope with the expected decline in economic growth next year.

Hyundai Group Chairman Gives New Year Address

SK0401054196 Seoul THE KOREA TIMES in English
4 Jan 96 p 8

[By staff reporter Chae Hui-muk]

[FBIS Transcribed Text] The Hyundai Group will advance into new business areas such as blast furnace steel production and the aerospace and information and communications sectors.

New Hyundai Group chairman Chong Mong-ku said yesterday in his New Year's address that the group will actively advance into business areas that have the highest growth potential.

"We will actively pursue the production of steel by blast furnaces as demand for steel is expected to increase sharply in Northeast Asia as well as the aerospace and information and communication industries, which will emerge as 'star' businesses in the run up to the 21st century," Chong told some 700 top executives and employees at Hyundai headquarters in downtown Seoul.

Chong gave his address, after receiving his letter of appointment as group chairman from his predecessor and his uncle Chong Se-yong. Chong Mong-hun, chairman of Hyundai Electronics industries and several other subsidiaries, was appointed the group's vice chairman, a newly created position.

Chong also stated his determination to strongly foster the group's financial subsidiaries. "The financial sector is certain to be very profitable, more than the manufacturing sector, as our nation's market potential is immense and entry barriers are expected to be torn down due to the government's liberalization program," the 58-year-old chairman said.

Hyundai has mainly concentrated on the automobile, machinery and electronics goods sectors, shipbuilding and construction, which are key industrial building blocks for Korea's economy.

To adapt itself to the changing environment, Hyundai will seek organizational and personnel reform, establish independent management systems in each subsidiary

and convert overseas operations from sales-oriented to production-oriented, Chong emphasized.

"In particular, Hyundai will appoint outsiders to its board of directors, a concept now being introduced by corporations in advanced nations, in a bid to wipe out the negative image people have of large business groups here," Chong said, in indirectly referring to the No Tae-u slush fund scandal involving Hyundai and other business conglomerates.

The system will be introduced at a few subsidiaries as test cases and extended to others after a thorough analysis of its effects is made, Chong noted.

Chong also said that the turnover goal for the group has been set at 74.4 trillion won for this year, up 24 percent from last year's 60 trillion won.

In his departing speech, former group chairman Chong Se-yong, declaring that the "founding generation's reign has ended," recalled, "I played the role of a bridge during the transition period from the founding generation to the second generation the past nine years as group chairman. I feel satisfied that during my time as chair-

man the group was the nation's top conglomerate and it became a renowned business entity around the world."

Chong Se-yong, younger brother of founder Chong Chuyong, said, "I will give advice to the new chairman (Mong-ku) when asked."

But he said that he would also work to make Hyundai Motor one of the world's top automakers by the year 2000. Chong Se-yong became honorary chairman of Hyundai Motor and his only son, Mong-kyu, 34, was tapped as chairman of the motor firm in a reshuffle last month.

When asked if Hyundai Motor will be turned over to the Chong Se-yong family, chairman Chong told reporters that it will remain within the group.

The inaugural and departure ceremonies, the first in the group's history, were telecast live to all employees of the group in some 50 work places throughout the nation.

After the ceremonies, the group's new chairman briefly met with reporters and gave letters of appointment to the new presidents of subsidiaries.

Burma**Than Shwe Receives Japanese Envoy's Credentials***OW0401061796 Tokyo KYODO in English
2322 GMT 3 Jan 96*

[FBIS Transcribed Text] Yangon [Rangoon], Jan. 4 KYODO — New Japanese ambassador to Myanmar [Burma] Yoichi Yamaguchi presented his credentials to Senior Gen. Than Shwe, leader of the ruling military junta and head of state, Wednesday [3 January] morning, government radio and television announced.

Yamaguchi replaces Takashi Suzuki, who returned to Tokyo last month at the end of his tour of duty in Myanmar.

Rangoon Captures Karenni Base; Fighting Continues*BK0301060196 Hong Kong AFP in English
0540 GMT 3 Jan 96*

[FBIS Transcribed Text] BANGKOK, Jan 3 (AFP) — Burmese Government troops have captured a rebel base in a military operation against the ethnic Karenni of Burma's Kayah State, opposite Thailand's Mae Hong Son province, a Karenni source said Wednesday.

A Karenni National Progressive Party (KNPP) base at Doi Thi Sak fell to forces of Burma's ruling State Law and Order Restoration Council (SLORC) on January 1, and fighting continued nearby around Doi Sen, the KNPP source said.

The junta's offensive followed the KNPP's renunciation on December 20 of a ceasefire agreement signed in March last year. Fighting broke out around December 24, he said.

The agreement was abrogated because a KNPP delegation to Rangoon in November failed to convince the government to remove its troops from areas designated as Karenni-controlled under the agreement.

"They had the plan already to eliminate the Karenni" even as they signed the agreement, the source said.

SLORC troops entered the area in June. The Burmese government said their presence was required to stop illegal logging. Since then the strategy appears to have been to drive the KNPP out of the area between the border and the Salween River to cut off the rebels' access to supplies from Thailand and income from the border trade, analysts have said.

"We need to inform the international community that there is a serious military operation against the Karenni. The SLORC would like to keep it a secret," the source said.

He said the KNPP would like to return to the principles of the ceasefire agreement signed in March if the SLORC was willing to abide by the agreement.

The KNPP was one of 15 armed ethnic rebel groups to have signed ceasefire agreements with the junta in return for development aid and de facto control of designated areas.

The delegation to Rangoon, however, was told that the ceasefire accords did not constitute an official agreement but "a state where KNPP is prepared to enter the legal fold," a December 20 statement issued by the Karennis said.

Rebel Group Views Khun Sa Accord With SLORC*BK0401071596 (Internet) BurmaNet News in English
4 Jan 96*

["ABSDF News Agency" 3 January 1996 Press Release on "Cease-fire between Khun Sa's MTA and SLORC"]

[FBIS Transcribed Text] A cease-fire agreement between Khun Sa's MTA [Muang Tai Army] and SLORC [State Law and Order Restoration Council] was reached on December 29, 1995. After the agreement, three SLORC battalions led by three Burmese colonels arrived in Ho Mong, the headquarters of Khun Sa's MTA, on the edge of Burma's eastern Shan State.

There was a referendum in MTA deciding whether to stand as the regional defense troop under SLORC on December 22, 1995. After getting 88 percent vote of yes to stand as the regional defense troop under SLORC, MTA decided to sign a cease-fire agreement with SLORC. According the reliable sources of MTA, a delegation led by Sai Khun Sel, one of the assistants and uncle of Khun Sa went to Rangoon during the second week of December and is still in Rangoon. In addition to the three SLORC battalions, seven more battalions of SLORC are stationing on strategic Naung Oak-Doi Lan mountain range, about 150 kilometer northeast of Mae Hong Son.

There are some rank and file in MTA reportedly against the cease-fire agreement. The mutiny was broke out on June 7, 1995 and Khun Sa suffered a serious setback when several thousands troops led by Sai Karnyord, a young Shan nationalist, [sentence as received] Later the breakaway group founded Shan State National Army (SSNA) and reached an agreement with SLORC. SLORC repeatedly said to the international community that they would never accept Khun Sa's MTA as an ethnic armed group.

SLORC Chairman's Independence Day Message

*BK0401122496 Rangoon Radio Myanmar in Burmese
0130 GMT 4 Jan 96*

["Full text" of a message from Senior General Than Shwe, prime minister and chairman of the State Law and Order Restoration Council (SLORC), to the 48th Independence Day ceremony in Rangoon's People's Square on 4 January — read by announcer]

[FBIS Translated Text] On the auspicious occasion of the 48th Independence Day of the Union of Myanmar [Burma], I cordially and respectfully greet the people of all national races residing in the country.

Our Union of Myanmar stood as a sovereign nation in the world for thousands of years until we were enslaved through unjust aggression and occupation by colonialists. Our patriotic national brethren fought against this aggression and occupation through the use of force and other means. They fought valiantly with whatever weapons they could lay their hands on. The patriotic heroes from among the national races — such as the Kachin, Kayah, Karen, Chin, Bamah, Mon, Rakhine, and Shan — who took part in the anticolonialist and national liberation struggle will be recorded in the annals of our history. Similarly, members of the Defense Services, the offspring of the national races who fought many battles and risked their lives in defense of independence, the public service personnel, and the people should also be placed on record for their spirit of sacrifice.

The spirit of safeguarding independence and the love of national independence are already firm and strong among the citizens of Myanmar. We are duty bound to make efforts to pass this spirit on to our descendants and to future generations as well.

We, the people of all national races, must always strive with our own strength to enable Myanmar to stand tall among the world's nations as an independent nation and perpetuate its sovereignty. There is a national duty to be discharged by all the people of the Union — to always cooperate to protect and defend their nation. Moreover, all the national races are duty bound to continue to ensure that national solidarity, stability, community peace, and the rule of law and order last forever. At the same time, all the people must remain patriotic and alert to deter any instigations, schemes, and incitements aimed at disturbing peace and stability in the country.

When we review the historic events we have experienced, we see that all the citizens of the Union have always been able to attain victory against all kinds of internal and external enemies that were attempting to

cause the disintegration of the country, which is home to the people born in this land and residing together through weal and woe.

There have been instances in our history that have proven our amazing resilience to rise from times of amelioration. During the time of the State Law and Order Restoration Council, which emerged according to the historic need of the nation, firmer foundations have been established and all-around developments have been achieved in the nation's political, economic, social, education, and health spheres with the public's cooperation. Hence, it is necessary for the people of the national races to make every effort and play whatever role they can to keep the present rate of all-around development growing unhindered. With such efforts, Myanmar — which is desirous of maintaining friendly relations with the world's nations based on equality and steadfastly practicing an independent and active foreign policy — will always be able to stand tall among the family of nations as a peaceful, developed, and modern nation.

The government has been implementing construction projects such as schools; bridges; hospitals; dispensaries; and electric power, communications, and irrigation networks with added momentum for the long-term development of border areas and our national brethren, utilizing substantial cash, manpower, and investments. At present, 15 armed groups, having realized the government's genuine goodwill, have returned to the legal fold and are now implementing construction projects together with the public.

The National Convention is deliberating the basic principles for the emergence of a new state constitution that will suit the wishes and aspirations of the people of the Union and will enable them to enjoy the rights they are entitled to and bring about social development. It is doing so to ensure smoothness and success at different stages of its undertakings in accordance with its six objectives. It has already laid down the chapter headings of the constitution and the principles to serve as the basis in formulating the fundamental principles of the state and is discussing in detail the main chapters, such as the legislature, the executive, and the judiciary. All citizens are responsible for extending all-out efforts to support the emergence of an enduring constitution in accordance with the six objectives of the National Convention.

Based on favorable conditions already attained, the SLORC — which is leading the state — will continue to exert strenuous efforts to further the development and emergence of the following constructive activities:

A. Constantly safeguarding our three main national causes — nondisintegration of the Union, nondisintegration of national solidarity, and perpetuation of sovereignty.

B. Ensuring the prevalence of the rule of law and community peace and tranquility; bringing about secure and smooth transportation; and easing the people's need for food, clothing, and shelter.

C. Emphasizing tasks for the development of all national races in Myanmar.

The Union Solidarity and Development Association — which will translate morale, discipline, solidarity, and unity into action for the perpetuation and consolidation of the Union of Myanmar — was formed over two years ago with five noble aims, and its annual general meetings have been successful. The association is actively organizing rallies and holding discussions throughout the country to express support for the success of the National Convention, currently in session. It is thus acting to transfer to new generations its good groundwork, which will set our minds at peace about any Union affairs in the long run.

At present, the Union of Myanmar has achieved much progress and favorable conditions in international relations; cooperation with nations in the region; cooperation with international organizations, including the United Nations; and foreign trade. Internally, it is also necessary to make sustained efforts for all-around development to maintain and promote progressive conditions in agriculture-based production, trade services, and transport sectors.

On the other hand, it is also important for us to safeguard the nation constantly and remain alert in defending against and preventing internal and external threats and interference as a national duty. We must also constantly bear in mind the truth that the strength of the nation lies within for the perpetual consolidated existence of the state as a modern, developed, and peaceful nation.

It is essential for the nationalities to continue their cooperation with the SLORC, participate in endeavors for the perpetuation of the nation under the leadership of the SLORC, and draw lessons from the bitter historical precedent of accepting foreign influence and reliance on outside powers.

Therefore, I urge the entire mass of the national people to safeguard, defend, and build an independent and sovereign nation and implement with zeal, perseverance, strength, and awareness the national objectives for the 48th Independence Day:

1. The entire mass of the national people should always join hands and strive together to perpetuate state independence and sovereignty;

2. The entire mass of the national people should strive with unity and might for the emergence of an enduring state constitution and to build a new, modern, and developed nation;

3. The entire mass of the national people should strive to keep its patriotism dynamic and alive and safeguard the national character;

4. Successful implementation of the four political objectives; the four economic objectives; and the four social objectives in order to build a new, modern, and developed nation.

Brunei, Malaysia & Singapore

Malaysia

Passport Rate Hike To Discourage Foreign Travel

BK0201133596 *Kuala Lumpur Voice of Malaysia*
in English 0800 GMT 2 Jan 96

[FBIS Transcribed Text] Prime Minister Datuk Sri Dr. Mahathir Mohamed said today that the increase rate for international passport, effective yesterday, was aimed at reducing the number of Malaysians travelling abroad. He said the government had imposed the new raise after considering the fact that the number of Malaysians travelling abroad was too large — 30 percent of Malaysians were travelling abroad compared with only 10 percent from Japan, which has a much larger population.

He told reporters after launching the third direct trans-Pacific service of the world's largest container ship, OOCL-California, from Port Kelang to the west coast of the United States that if Malaysians still want to go abroad, they will have to pay more. Dr. Mahathir said that the new rate would only discourage some people from travelling abroad.

Singapore

Inflation in 1995 To Hit Seven-Year Low

BK0401032696 *Singapore BUSINESS TIMES*
in English 4 Jan 96

["Eye on the Economy" by Anna Teo: "Inflation Set to Hit Seven-Year Low" — received via Internet]

[FBIS Transcribed Text] THE inflation rate for 1995 looks set to hit a seven-year low, with the consumer price index (CPI) having risen just 1.8 per cent in the first 11 months of the year.

The last time inflation dipped below 2 per cent was the 1988 level of 1.5 per cent.

In November, consumer prices were up by just 0.9 per cent, due mainly to higher prices of food and miscellaneous items.

The CPI barely moved for the better part of last year.

But the current disinflationary trend stands in contrast to rising unit labour costs, says JP Morgan in a recent commentary on the Singapore economy.

Unit labour costs of the overall economy rose an average 3.8 per cent in the first three quarters of 1995, though the rise for the manufacturing sector alone was a more moderate 2 per cent.

JP Morgan points to two main reasons for the paradoxical decline in inflation.

First, prices in the retail sector have been dropping sharply under competitive pressures, due to overcapacity brought on by rapid expansion in the early 1990s.

Monthly retail sales values have stagnated at around \$1.7 billion [Singapore dollars] in the past few years.

Second, the strength of the Singapore dollar in the past year has muted import price pressures.

But there may be some more "direct" causes, too, for the lower rate of change in the CPI in recent months.

The revision of the CPI basket and re-basing of the price series early last year resulted in a lower weighting for food — one of the major inflationary items in recent years.

The new CPI basket, based on the findings of the 1992/93 household expenditure survey, sees the weight for food dropping from 40 per cent previously to 30 per cent.

Non-food inflation, on the other hand, has been relatively low.

The other main inflationary items over the past year — education (including university/polytechnic tuition fees and newspaper prices) and miscellaneous items (such as domestic services and cinema/concert admission charges) account for only a small portion of the total CPI basket.

But cost pressures and capacity constraints are expected to push inflation up this year and next, possibly to 3 per cent by 1997, economists say.

Cambodia

Japanese Envoy on Aid, Government, Sihanouk
BK0401112096 Phnom Penh PHNOM PENH POST
in English 29 Dec 95 -11 Jan 96 p 7

[Report by Matthew Grainger]

[FBIS Transcribed Text] In a country of patrons, Cambodia has got 373 million reasons to be indebted to Japan.

That's how many aid dollars Japan has poured in here since the UN-sponsored elections.

With its sheer weight of cash, Japan is the premier player in most of the big infrastructure developments in Cambodia.

It has spent more money than the World Bank, the ADB [Asian Development Bank], every UN agency, the European Union and the IMF put together.

For every dollar the United States has spent here, Japan has spent \$2.50.

And — as co-Prime Minister [PM] Hun Sen said recently in reacting to criticisms made by Western donors — "(Japan) does not interfere" and talk about democracy and human rights.

These are Tokyo's motives for spending large and saying little:

— Number one — peace in Cambodia, and peace in the region, is vital in ensuring a peaceful, prosperous and stable Japan.

— Number two — it ensures the continuing perception of success of the UNTAC [UN Transitional Authority in Cambodia] mission.

("(UNTAC) was the first time Japan sent troops overseas since the war, and it was run by Akashi," one diplomat based in Washington DC told the Post. "Of course (Japan) wants to make sure it doesn't fall apart.")

— Number three — though this remains unsaid — is the generally accepted formula that for every dollar spent on aid, maybe three or more dollars will eventually flow back to the donor in trade.

— Number four — at least publicly, Japan sees the fledgling Royal Government as being green, but on the right track.

Also, Japan — unlike the United States — doesn't spend money on human rights and democracy initiatives. It spends on bridges, roads, power and water plants, schools, hospitals, and other photogenic and non-controversial projects.

Japan's out-going Ambassador Yukio Imagawa said he was "really very amazed" that Hun Sen praised Japan as being a silent, compliant donor.

"He was angry — that I understand," Imagawa said of Hun Sen's calls for protests against Western embassies. "With my experience of the Cambodian people I did not think there would be attacks against embassies. Maybe the French and American ambassadors took it seriously...."

"(Hun Sen) would not do such a thing," said Imagawa, who acknowledges the Second PM's political strength, "but of course we would have hoped that a Prime Minister would not have said such a thing."

"In this country the most important human right is people having enough to eat. Enough food to stave off starvation, a small house with security, that's the most important human right for Cambodians," he said.

His argument mirrors that of First Prime Minister Prince Norodom Ranariddh.

Opponents to such an argument, however, say communities can have both full rice bowls as well as other freedoms, and that it is not an "either-or" argument.

Moreover, freedoms such as an independent press and judiciary are necessary to protect the rights of the people, critics say.

"People are more likely to have enough food if there is a free press to highlight corruption, for instance," said one Western diplomat whose country has been criticized by Cambodia for meddling.

"That argument (made by Ranariddh and Imagawa, among others) is specious," he said.

Imagawa points out that both FUNCINPEC [National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia] and the CPP [Cambodian People's Party] had to overcome huge problems to form the current coalition.

"Compromise was necessary, and both sides are compromising, so one cannot expect complete democracy," he said.

Imagawa — an unabashed Sihanouk supporter — said it was the King who brokered the coalition "which was not very regular or ordinary, it was very strange to foreigners. But it was also very clever because if there had been only one Prime Minister, either from FUNCINPEC or the CPP, surely there would not have been peace."

"Of course (Japan) doesn't expect a complete domination of either communism or Royalism (within the Cam-

bodian government), but this model is going comparatively — and I always say comparatively — well," he said.

"Sure, it's not 100 percent.

"This democracy is not like in any other country...it's a guarded democracy...this is really a Cambodian type democracy, and it's not hostile to or against Western democracies — but it's not the same," he said.

Imagawa said Cambodia would be "democratic" and peaceful, but to have "real" democracy would take time.

"Two years is not enough...two years after the formation of a new government we must not expect big changes."

"We must find out what is good in what they are doing here...we must not ignore the primitive and very good tendencies toward democracy," he said.

Cambodia had "the Sam Rangsi problem, the Son Sann problem, the Sirivut problem, and these are very unhappy events," he said.

However, foreigners — and, by implication, the West which has been critical of progress and accordingly angered Phnom Penh lawmakers — "must give Cambodia time to sort out these problems by itself".

"Of course we must watch carefully" but it was better not to intervene.

"I'm sure by the King's suggestion this will be solved the Cambodian way," Imagawa said.

Imagawa said that Tokyo would reconsider and if necessary stop aid to Cambodia if the situation "was really against democracy".

"But I think Cambodia is going slowly in a good direction, so we will continue our aid," he said.

Nor would there be any conditions attached to Japan's donations, as the Americans are considering.

"But in our heart, to ensure Cambodia will be a better democratic country, we are supporting and encouraging them to join ASEAN," he said.

Asked whether the United States was in a very difficult position of being forced to agitate because their aid went mainly to democratic and human rights institutions — such as free labor movements, law reform and rights groups — while Japan spent mainly on bridges and roads, Imagawa laughed and said: "I cannot say anything."

Generally unfavorable newspaper and television coverage has been blamed for unfairly influencing public

opinion against the Cambodian government — especially in the West.

Imagawa said that wire service reports (from Phnom Penh) did also tend to influence Japanese public opinion, but that the scope and direction of Japanese aid was almost certainly unlikely to suffer.

Imagawa said the FUNCINPEC/CPP coalition would continue "even if some people like it or not." Peace depended on a continued coalition, he said.

He personally thought that the CPP would gain more votes in the next election than it did in the last.

The only political imponderable was "if there is a coup... but this (coalition) system will continue I'm sure, that is the reality," he said.

For a supposedly compliant donor, Imagawa said he regularly talked with Hun Sen and Ranariddh "and always ask them to keep this Constitutional Monarchy system with peace and democracy."

"Why? Well...for the Japanese what is very necessary is to have peace in this region. It is necessary for the peaceful existence of Japan...we are not a military power and we depend on trade," he said.

Peace was also needed for Cambodia to slowly gather riches and prosperity "so that is why we do not talk about conditions...though this is not to encourage Cambodia to do anything against democracy".

A peaceful Cambodia would also ensure that the "fruit of what the United Nations did" could be kept.

"We don't want to see Akashi's efforts abandoned," he said. The democratic system enshrined in the Constitution "will not be abandoned easily and (the Cambodian government) respects that," he said.

Imagawa said he knew the character of the Cambodian people and added that should donors began conditioning aid "(Cambodians) will react the other way," he said.

"They have much pride and are very nationalistic. We must not do anything to harm that pride or nationalistic feeling.

However, sources told the Post that behind the scenes, Imagawa has spent much of his time lobbying Hun Sen and Ranariddh to stop the damaging political infighting.

Imagawa's pleas that the political factions show a united front have not been entirely successful, sources claim.

"(Imagawa) is a diplomat, and a good one... but he has found it lately very difficult to remain so," said one diplomatic source.

Japanese patronage of Cambodia is also historical.

Imagawa talked of the Japanese military occupying Cambodia toward the end of World War II, disarming the French.

"The young King Sihanouk did not declare independence just to please the Japanese. And many people say (Sihanouk) was pro-French, but that is untrue.

"The Japanese saw him as very nationalistic, they wanted to appeal to his nationalistic mind. Maybe the French were very angry about that," Imagawa said.

"Sihanouk always negotiated, and sometimes it was very tricky.

"He achieved independence without blood being spilled, and years before Laos and South Vietnam," he said.

"Some people, like the United States, say he was a changing Prince, and maybe that's true, but his were always well-calculated maneuvers," he said.

"Now his position is different under the new Constitution.

"He is now 73, but I think if he was younger he could not be able to stay in such a position.

"Sihanouk must lead with his spiritual influence...and act up to his (Constitutional) limitations. I don't know if he is happy or not, but he is doing good work," he said, "...as is this government." THIS REPORT MAY

AKP Expects Fund To Upgrade Channels

BK0401100696 Phnom Penh PHNOM PENH POST
in English 29 Dec-11 Dec 96 p 5

[Report by Ker Munthit: "Govt News Agencies Boosted To Counter 'Negative News'"]

[FBIS Transcribed Text] The state-run news agency Agence Khmere de Presse (AKP) is expected to receive \$2 million from the government to upgrade its unsophisticated services, the agency's General Director Sum Mean said.

The money was part of a \$5 million pledge from the state reserved fund to modernize the government information channels, including radio and television to boost their capability in releasing information, he said.

It is yet to be seen when the money will be disbursed, however Mean said that the project to revamp AKP has already been given the greenlight from the government.

He said that the project's first stage, early next year, was to install within his department a computer network worth about \$400,000. All of the agency's ten provincial offices — with three more to be set up in Koh Kong,

Mondolkiri and Svay Rieng provinces — will be hooked to the main headquarters on modern telephone lines.

With nearly 300 people working in it, the agency produces daily bulletin in Khmer, French and English languages from ten computers — a modern technology introduced only six years ago to replace typewriters.

While only four of them are connected to two available UPS (uninterrupted power supply system), the rest are running on the risk of power surges from the on-and-off electricity supply in Phnom Penh. The agency doesn't have its own printing house and the bulletin is printed on a Roneo machine which is about 30 years old.

Viewing the present conditions his agency is operating under, Mean said that it is yet to deserve the name of a "national agency", let alone be competitive with private agencies.

"Competing for information is a necessary factor like a human's need for rice to eat. We want our national agency to be strong, effective and able to spread news to all corners of the world," he said.

The Ministry of Information's representatives nationwide gathered for a two-day meeting (Dec 20-21) to discuss the poor budgetary and technical conditions they are facing. The meeting ended with the government acknowledging the problems and setting out more plans.

The ministry has plans to install FM radio stations in all provinces and cities between 1996-2000. On Nov 21, the ministry and the Japanese aid agency JICA signed a \$20 million grant to build a new broadcasting center inside the ministry's compound.

Training staff is also part of the master plan which, according to the report, will boost the effectiveness of a national information network to counter the flood of "negative news" about Cambodia.

Sum Mean said that for AKP to become effective, the state-owned information channels must be allowed to operate with some autonomy by using incomes generated from their activities to finance future programs.

"That does not mean all staff do not have to be paid by the government. But, it is a part of opening up of the national economy and it will enable people to be more creative in their work," said Mean.

Speaking at the conference, Second Premier Hun Sen backed the idea and asked the Information and Finance Ministries to study ways for its implementation. "I think the solution of economic autonomy can be brought up.... Incomes they [information channels] earn will improve their standards...and enable them to equip themselves step by step," he said.

Indonesia

Minister Views 'Secret Talks' With Malaysia

BK0401103796 Jakarta MERDEKA in Indonesian

4 Jan 96 p 1

[Unattributed report]

[FBIS Translated Excerpt] Jakarta, Wednesday, MERDEKA — Indonesia and Malaysia have resorted to quiet political diplomacy, or secret talks, to settle their dispute over Sipadan and Ligitan Islands.

"Technical and legal talks have not produced any results," Foreign Minister Ali Alatas told reporters at Pejambon, Jakarta on Wednesday (3 January).

He said the secret talks were at the ministerial level but did not involve the foreign ministers. If the foreign ministers had been involved, the talks would have become formal.

"Other ministers can hold quiet talks," Alatas said, adding that the two ministers were appointed by the two heads of government.

According to a source, the Indonesian minister assigned to the secret talks is Minister and State Secretary Murdiono.

A reporter asked: "Is the Malaysian representative Kamil [Foreign Ministry secretary general]?" Alatas said outright: "No, but he is certainly a minister."

Alatas said the technical and legal talks failed because both sides had a number of adequate documents. Thus, they were unable to convince each other of their respective arguments.

"We were unable to convince Malaysia of our arguments and vice versa," he said.

There are two ways to settle the dispute. Malaysia has proposed that the dispute be brought to the International Court of Justice as a third party, while Indonesia prefers bilateral political talks before the case is referred to the International Court of Justice.

"If the talks fail, the case will be brought to a third party, but ASEAN would be preferable to the International Court of Justice," the experienced diplomat said.

"In ASEAN we have a mechanism to settle disputes, do we not? Why not use it? Eventually, Malaysia will agree with Indonesia," he said.

He said if the quiet political diplomacy, or secret talks, are successful then the two foreign ministers will formulate procedures for a settlement.

The foreign minister said he was unable to disclose the results of the secret talks, but he expects meaningful progress this year. [passage omitted]

Laos

Outcome of Fifth Border Meeting With Thailand

BK0401061296 *Vientiane KPL in English*
1029 GMT 3 Jan 96

[FBIS Transcribed Text] Vientiane, January 2 (KPL) — Lieutenant General Choummali Sai-gnason, minister of national defence and president of the Lao-Thai General Border Security Committee, attended the fifth meeting of the Lao-Thai and Thai-Lao General Border Security Committees, held from December 28 to 30 at the Monthian Hotel, Bangkok.

The conference was co-chaired by Lieutenant General Choummali Sai-gnason and General Wirot Sengsanit, Thai commander-in-chief and president of the Thai-Lao General Border Security Committee.

The meeting reviewed the cooperation on common border security, especially the minutes of the fourth meeting, and discussed various issues concerning the relations and cooperation between the two countries.

The two sides expressed pleasure and shared the view that in the past year, the relationship between the two countries have been raised to the level of the heads of state, as for instance when president Nouhak Phoumsavan and his wife paid an official visit to the Kingdom of Thailand as guests of their majesties the King and Queen from February 14 to 19, 1995.

The visit was considered an invaluable omen for the relations between Laos and Thailand as well as developing cooperation at all levels — from the government to local level.

The meeting also shared the view that in the past year, all of the mechanisms at all levels of the two sides responsible for cooperation on common border security had discussed and coordinated with mutual understanding. There had been meetings of provincial-level border security committees in almost every province and the border lines between Bokeo Province and Chiang Rai Province, Sayaboury Province and Uttaradit, Phitsanulok, and Nan provinces had been inspected.

The meeting concluded that the situations along the common border were almost secure. However, there remained some spots which were not satisfactory. Some people and officials do not observe the laws and regulations on immigration and continue to smuggle, and there are still bad elements.

The two sides will concentrate on those problems, aiming at stricter controls.

To those bad elements operating along the common border and creating unfavourable situations, the two sides agreed upon coordination between the Lao-Thai general border security sub-committees and the provincial-level border security committees in inspecting those spots of the border lines where unfavourable situations still remain and measures need king to solve problems promptly.

Philippines

Cooperation Memorandum With Britain Signed

BK0401084296 *Manila PNA in English*
0619 GMT 4 Jan 96

[Received via Internet]

[FBIS Transcribed Text] Manila (PNA) — The Philippines and Great Britain Wednesday formally signed the first ever Memorandum of Understanding (MOU) aimed at promoting cooperation between the two countries in the field of defense.

Defense Secretary Renato de Villa and visiting British Defense Secretary Michael Portillo signed the MOU in a simple and formal ceremonies held this afternoon at the social hall of the defense department in Camp Aguinaldo, Quezon City.

The MOU binds the two countries to a continuing exchange over a ten-year period of information on defense matters, notably modern defense systems, technology, research and development, training of military personnel and other defense industry-related matters. According to Secretary de Villa, the MOU also calls for the two countries to respect obligations related to defense contracts, intellectual property rights and to give emphasis to defense equipment and services in the technology exchange.

Based on the signed MOU, de Villa said a joint defense cooperation committee composed of defense officials of two countries will be established to pursue the concerns and activities related to the bilateral memorandum.

More on Portillo's Activities

BK0401124496 *Manila BUSINESS WORLD*
in English 4 Jan 96

[Report by Sandra S. Aguinaldo — received via Internet]

[FBIS Transcribed Text] The Philippines and the United Kingdom signed yesterday the first ever memorandum

of understanding (MOU) between the two nations in the field of defense.

Defense Secretary Renato de Villa and United Kingdom Secretary of State for Defense Michael Portillo led the signing of the MOU calling for bilateral training and joint exercises; exchange of information on doctrine and development; exchange of information on future defense requirements; exchange of information on common research and development; exchange of information on defense industry-related matters; mutual examination of export possibilities of defense systems and equipment and transfer of technology.

The MOU, signed at the Department of National Defense headquarters in Camp Aguinaldo, will bind the countries for ten years, Mr. De Villa said. As provided for by the MOU, a Joint Defense Cooperation Committee composed of defense officials from both countries will be formed to see to it that the provisions of the MOU are implemented.

In a press conference, Mr. Portillo said that on February, a UK aerobatic display team will visit Manila for possible demonstration, followed by joint military exercise in the Pacific and the sending of an air defense advisory team to Manila. Philippine defense officials are also planning to visit the UK to look at the country's defense capabilities.

Aside from the MOU, Mr. Portillo discussed with Mr. De Villa the possibility of acquiring for the Philippine military equipment from UK as part of its efforts to modernize the AFP [Armed Forces of the Philippines]. "We understand the budgetary constraints of the Philippines... that's why we are working on reciprocal arrangements so that the benefits of the trade are fairly seen to be in both directions," the UK defense chief said.

Manila is considering acquiring more British-made Simbas for the Armed Forces of the Philippines. The purchase of aircraft and naval vessels are also being discussed by the countries but Mr. De Villa said nothing substantial has come out of the discussions.

Visa Restrictions Imposed To Prevent Terrorism

BK0401040396 Quezon City Radio Filipinas in English 0230 GMT 4 Jan 96

[FBIS Transcribed Text] The Philippine Government is imposing restrictions on visas for foreign visitors to prevent potential terrorists from entering the country. Acting on orders of Malacanang, the Bureau of Immigration will adopt tighter checks to the country's ports of entry.

Immigration Commissioner Leandro Verceles said the Department of Foreign Affairs, police and intelligence

agencies also agreed to a plan to issue visas only in an applicant's country of origin.

Police, last month, arrested 27 foreigners many of them holding Pakistani passports who were suspected of involvement of separate plots to assassinate Pope John Paul II and President Ramos. Under the new rules, foreigners holding Pakistani passports would only be able to secure Philippine visas at the Philippine consulate or embassy in Pakistan. Verceles did not say when the new regulation will take effect, he did not say either if this would apply only to certain countries or to all countries.

Six Pakistani nationals, the latest to be caught in a police dragnet were charged with illegal possession of explosives yesterday before the Makati Prosecutor's Office.

As an anti-terrorist measure, 200 policemen will be deployed at the Manila Hotel next week to act as close-in security for 18 labor ministers who are meeting in Manila in preparation for the Asia-Pacific Economic Cooperation [APEC] Summit in November. A five-day conference opens Monday. About 1,500 policemen are now under intensive training on how to guard officials attending several more meetings leading to the summit. Authorities said earlier, 30,000 troops will be mobilized for the APEC conference itself. Police also warned Philippine embassies in Middle and Far Eastern countries of possible attacks from extremist groups in retaliation for the arrest of suspected foreign terrorist in Manila.

Terrorist Threats Put Airport on Red Alert

BK0401010596 Quezon City GMA-7 Radio-Television Arts Network in Tagalog 2230 GMT 3 Jan 96

[FBIS Translated Text] NAIA [Ninoy Aquino International Airport] Security Chief Jose Dalisa has disclosed that NAIA security has been placed on red alert. He added that they doubled the number of guards and their weapons at the airport.

[Begin recording, in English] [Unidentified correspondent] So, you are taking these threats seriously?

[Dalisa] Well, of course. We have to be prepared, as they say [preceding three words in Tagalog] we should prepare for the worst always. [end recording]

Interior Secretary Rafael Alunan has likewise revealed the terrorists plan to spread violence in the country. However, he assured that the military and the police are ready to face these threats.

[Begin Alunan recording in progress, in English] ...it could be that, unless if we are not careful, if we were

not able to nip it in the bud early enough, it could grow into such proportions. [end recording]

Malacanang has ordered the Immigration Bureau to be more vigilant over the possible entry of international terrorists. According to Executive Secretary Ruben Torres, the coordination and exchange of information between the Philippines and other countries on terrorist movements should start immediately.

The Immigration Bureau was ordered to check the travel documents of suspected terrorists properly.

Police To Deploy 200 Personnel for APEC Meeting

BK0401032296 Quezon City GMA-7 Radio-Television Arts Network in Tagalog 2230 GMT 3 Jan 96

[FBIS Translated Text] The Police Security Command will deploy 200 personnel for the first APEC [Asia-Pacific Economic Cooperation] committee-level conference in Manila next week.

According to Senior Superintendent Victor Tiangco, head of Task Force Kasama [Bodyguard] under APEC, the 200 policemen will be for deployed for the security of the delegates. At present, the police have already embarked on operations to prevent the mayhem that the terrorists plan to launch.

Ramos Approves Bridge-Building Program

*BK0401081196 Manila PNA in English
0619 GMT 4 Jan 96*

[Received via Internet]

[FBIS Transcribed Text] MANILA (PNA) — President Fidel V. Ramos opened his administration's war against poverty this year by approving the allocation of P[Philippine pesos]1.325 billion for a bridge-building program that will directly benefit some 10 million people in the less developed provinces.

The program, which is called the President's Bridge Program seeks to provide all weather access on key roads in 10 regions and 33 provinces. It is expected to be completed within 18 months.

A total of 208 bridges ranging in length from 15 to 200 meters and totaling about 8,000 meters will be built to spur economic activities and induce direct socio-economic growth and development in the rural areas.

Thailand

Minister on Passing Information to Drug Suspect

*BK0301151396 Bangkok Thai Color Television
Channel 9 in Thai 1200 GMT 3 Jan 96*

[FBIS Translated Text] The foreign minister has spoken about the prime minister passing along informa-

tion about narcotics trafficking to Watthana Atsawahem [deputy leader of Chat Thai party allegedly involved in drug trafficking]. He says there is nothing wrong with it. Speaking during an interview with reporters about a report that Prime Minister Banhan Sinlapa-acha had passed along to Watthana Atsawahem information supplied to the Foreign Ministry by the United States concerning drug trafficking allegations, Foreign Minister M.R. [Mom Ratchawong — royal title] Kasemsamoson Kasemsi said it was fair to the accused:

[Begin Kasemsamoson recording] Well, that kind of thing might sound terrifying, but if you do not knock on the right door, how will you be able to defend yourself? What the prime minister has done is tantamount to giving the accused a chance to explain. I think the accused should be informed of the accusations against him. In my opinion, there is nothing wrong with that. [end recording]

Officials View Burmese Border Situation

*BK0301153996 Bangkok Thai Color Television
Channel 9 in Thai 1200 GMT 3 Jan 96*

[FBIS Translated Text] According to a report from the Thai-Burmese border, there has been an incursion by Burmese troops in Chiang Mai Province. Speaking to reporters about the situation, Supreme Commander General Wirot Saengsanit said he was waiting for the result of talks between Thai and Burmese liaison officers. He said that Khun Sa's forces have reportedly taken shelter at Doi Mae La in Mae Ai District, Chiang Mai. It is still not known whether the area is inside Thailand or whether it is Burmese territory. He said the Thai ambassador to Burma has been instructed to contact the Burmese Government for clarification. The military has already sent troops to the area in readiness for operations around the clock:

[Begin Wirot recording] There has been no firing; we are negotiating with each another. We do not know when our negotiations will bear results. Let us wait some more. [end recording]

Meanwhile, Prime Minister Banhan Sinlapa-acha said he was also waiting for details about the cross-border intrusion by Burmese forces. The prime minister, speaking with reporters a while ago, said that border incidents are frequent. He is not certain of the identity of the intruding forces. The prime minister said our troops have been put on alert in readiness to push out the intruders.

Khun Sa Officer Details Pact With Rangoon

BK0401035296 Bangkok BANGKOK POST
in English 4 Jan 96 pp 1,2

[Unattributed report]

[FBIS Transcribed Text] Thai forces have been beefed up along the northern border with Burma in response to security concerns sparked by reports the Mong Thai Army [MTA] led by opium warlord Khun Sa has surrendered to Rangoon.

Military forces and police have been brought in to maintain the integrity of the ill-defined border between the two countries after Burmese troops reportedly moved into the MTA's headquarters and other strongholds.

The Thai Army has been in direct contact with top Burmese leaders, including State Law and Order Restoration Council (SLORC) first secretary Khin Nyunt, since Tuesday to inform the Burmese of the Thai soldiers' presence at the border.

The move was aimed at preempting any possible armed clashes between Burmese soldiers who have taken over positions once controlled by the MTA and Thai forces which have been deployed along the border.

Signs of troubles began on Monday after Burmese soldiers who moved into the MTA's position at Doi Lang opposite Mae Ai District, Chiang Mai, tried to lay claim to the hill.

Both Thailand and Burma, which hold different border maps, have claimed the strategic hill is in their territory but the presence of the MTA force had hampered any serious contest of its ownership.

Supreme Commander Gen [General] Wirot Saengsanit told reporters Rangoon has been informed to instruct its border troops to avoid using force if they come across Thai soldiers and to settle any conflict by talking while the question over the border line is waiting to be resolved.

Reliable Army sources said Army Deputy Commander Chettha Thanacharo has been assigned by Army Chief Pramon Phalasin to liaise with the Burmese leadership over problems that might arise at this border front.

The sources said the MTA had served as a buffer between the Thai and Burmese soldiers. With the MTA's surrender, Thai and Burmese soldiers are now facing each other and the ill-defined border could lead to clashes without any high-level moves to pre-empt them.

A military source said soldiers of the Naresuan Force's 7th Infantry Division and Mae Sariang-based 36th Rangers Battalion have been positioned along the border in Muang District of Mae Hong Son.

Thai reconnaissance aircraft flew along the border to keep the situation under watch, he said.

The Border Patrol Police's 336th Unit, local administration officials and provincial police were prepared to cope with a possible influx of the Shan civilians from Ho Mong through various border crossings. Ho Mong was the MTA headquarters on the edge of Burma's eastern Shan State, about 30 km from the Thai border.

The authorities have also taken stricter measures to check travel documents of people including Thai and foreign reporters wishing to cross the border to cover news on Khun Sa's surrender.

In the latest development, Maj [Major] Kyaw Tun, an MTA officer who fled from Ho Mong headquarters to Mae Hong Son said over 2,000 Rangoon troops gathered at Ho Mong yesterday morning to attend a ceremony in which the MTA handed over weapons and officially surrendered to the Burmese troops.

He said Rangoon soldiers had taken control of all military locations of Khun Sa.

Kyaw Tun said Khun Sa sent representatives to negotiate with the SLORC under the pretext of seeking a truce to develop areas occupied by ethnic minority groups along the Thai-Burmese border.

He added: "In fact, Khun Sa sent his men to secretly talk with the Burmese government to surrender the MTA to be under the Burmese army.

"At present some groups of soldiers of Shan origin are not satisfied with Khun Sa. They regard Khun Sa as having betrayed the Shan people."

Kyaw Tun said Khun Sa, after reaching a secret deal with the SLORC, sent his aides to tell military leaders at various bases that he would hold official peace talks with the Burmese soldiers on January 3. He also asked them to allow Burmese soldiers to march to Ho Mong.

Kyaw Tun said a number of MTA military leaders, dissatisfied with Khun Sa, had led their soldiers and civilians to cross the border to Thailand.

The handover of arms followed recent reports Khun Sa had secretly shown an interest in surrendering his territory and troops to the SLORC to end his four-decade-long battle with the military junta.

The report of a ceasefire agreement between the MTA and Rangoon has surprised the world community, particularly America.

Khun Sa, alias Chang Si Fu, has been indicted in the United States on drug trafficking charges. The majority

of heroin distributed throughout the world is alleged to originate in areas under MTA control.

The MTA under Khun Sa was considered the strongest of the groups fighting for an independent Shan State.

Another MTA source said that on November 9 last year, 61-year-old Khun Sa sent a five-member delegation to visit Rangoon. It was led by Zao Khun Saeng, minister of economic affairs, and Zao Khwan Muang, minister in charge of politics.

On December 18, the delegation met the SLORC's chairman, Gen Than Shwe and its first secretary-general Lt-Gen [Lieutenant General] Khin Nyunt, shortly after the latter had returned from the ASEAN summit in Bangkok.

The source said the ceasefire negotiations had been mediated by the Shan National League for Democracy (SNLD) and Khun Sa's secretary, Zao Laotai.

Under the ceasefire agreement, the MTA must hand over some weapons to Rangoon to show its sincerity, the source said.

The MTA, in turn, set a condition that soldiers under the control of Khun Sa must be accepted as military volunteers in the Rangoon army.

On December 20, the SNLD sent a representative to meet Khun Sa at the MTA's Ho Mong stronghold to confirm the MTA's defection to Burma.

The source said the drugs warlord had made his stance clear in surrendering to the SLORC.

On December 22, Khun Sa called a meeting with Shan State's panels of various affairs and his MTA soldiers to sound out their views on defecting to the Burmese government.

More than 80 percent of MTA troops voted for the move, according to the source.

Most opponents claimed they had joined the MTA for years in fighting for independence of the Shan State.

Showing their dissatisfaction with Khun Sa's idea, some MTA personnel had decided to defect to the Shan State National Army (SSNA) under the leadership of Maj Gunyod. Some had left the MTA umbrella to make their own living.

The source said the MTA has continuously created close ties with the SLORC. He said Khun Sa's coordinator, Zao Suwan, met a senior Burmese official at Tha Sob Teng near Salween River on December 28.

To show the MTA's sincerity towards Burma, Zao Suwan openly invited Rangoon soldiers to visit the MTA stronghold at Ho Mong.

Text of Financial System Master Plan Released

*BK0301122296 Bangkok BUSINESS DAY in English
3 Jan 96 p 10*

[“Official translation” of the Financial System Master Plan drafted by the Finance Ministry, the Bank of Thailand, and the Securities and Exchange Commission and approved by the Council of Economic Ministers on 27 February 1995]

[FBIS Transcribed Text] 1. Introduction

Rapid changes and deregulation of the world financial environment have led to greater competition in the domestic financial system.

A stable and efficient financial system therefore is crucial to support the sustainable growth of the country.

The Financial System Master Plan is important and necessary to guide the development of the financial system, facilitate policy coordination and support the national economic development plans.

2. Objectives of Financial System Development

2.1 To enhance the efficiency of the financial system to meet the increasing needs for capital and financial services to support further economic expansion, and to enhance the competition in the Thai financial system;

2.2 To strengthen the solvency and quality of financial institutions' portfolios, and to maintain the stability of the financial system as a whole;

2.3 To channel credit and financial services to regional and provincial areas in order to support the government's provincial and rural development policy, to bring prosperity to rural areas;

2.4 To boost domestic savings to support economic expansion and raise the long-term competitiveness of the economy;

2.5 To develop Thailand into a regional financial center and internationalize the domestic money and capital markets, thereby increasing the ability to raise funds and capital for the Thai economy and regional economies.

3. Rationale

3.1 To facilitate co-ordination between relevant authorities in policy-making and implementation of the financial system development;

3.2 To ensure clarity and continuity of financial development policies and measures that will benefit Thai and foreign entrepreneurs;

3.3 To ensure consistency of financial development plans with the overall economic development policy.

with the aim of bringing prosperity to provincial and rural areas.

4. Timeframe

The Plan is set for five years, from March 1, 1995 to February 29, 2000, and is divided into two phases. The first phase, which includes short-term plans, and plans that are in the process of implementation, covers the period from March 1995 to February 1997. The second phase, covering the medium and long-term plans, spans the period from March 1997 to February 2000.

5. Content

The Financial System Master Plan sets out policies and measures in seven major areas: These are: expansion in the scope of operation of financial institutions, improvement of the financial structure, enhancing competition and financial liberalization, measures to support the government's provincial and rural development policy, improvement of supervision of financial institutions and the financial system, development of human resource and promotion of business ethics in the financial industry, and developing Thailand into a regional financial center.

5.1 Expansion in the scope of operation of financial institutions.

This will enable private financial institutions, namely commercial banks, Bangkok International Banking Facilities (BIBFs), finance companies, credit foncier companies, securities companies and mutual fund management companies to operate businesses in line with international practice and standards, and to strengthen their competitiveness.

In order to prevent risks associated with financial institutions involvement in non-financial activities, the enlarged scope of operation will be confined strictly to financial activities.

Thus, commercial banks and finance companies will be permitted to conduct more investment banking businesses, especially those related to debt instruments.

At the same time, finance companies will be allowed to conduct overlapping businesses with commercial banks, such as international business and foreign exchange business.

However, current accounts, savings accounts and overdraft lending activities will be limited only to commercial banks.

Certain types of credit, such as hire-purchase and financial leasing, are to be limited to finance companies.

In order to enhance the competitiveness of BIBF business in relation to other financial centers, tax benefits on

out-out transactions will be revised and the BIBF scope of business will be expanded.

Securities companies will be permitted to act as provident fund managers and operate foreign exchange businesses that are related to their securities operations.

Mergers and acquisitions of credit foncier companies will be encouraged in order to improve their efficiency in extending housing credits and expand their businesses in line with international standards.

The scope of operations of specialized financial institutions will be expanded so that they can efficiently serve as government mechanisms to promote regional and provincial development.

In this regard, the role of the Government Savings Bank will be re-oriented to that of a provincial and regional development bank, providing credit to medium and small-scale non-agricultural customers, and financing education and loan syndications for regional infrastructure.

The scope of business of the Bank for Agriculture and Agricultural Co-operatives will be expanded to cover non-agricultural credit to farmers, including credit for the purchase of basic needs.

The role of the Government Housing Bank in granting housing credit to retail customers and developing a secondary market for housing loans will be enhanced.

Support will also be given to the Export-Import Bank of Thailand to expand its scope of operation, and the role of the Industrial Finance Corporation of Thailand will be enhanced so that it becomes a long-term credit financial institution.

5.2 Improvement of the financial system structure.

The financial system should be developed in depth, width, sophistication and internationalization to ensure the availability and proper functioning of major components of the market; namely the money and capital markets, thereby providing support mechanisms for savings mobilization and fund allocation, which are crucial to the support of economic growth and expansion.

In this process, measures to remove the obstacles and develop the necessary infrastructure need to be hastened.

These include development of instruments and mechanisms to mobilize domestic savings, especially development of contractual savings institutions such as private provident funds, and a central provident fund for civil servants.

The development of both public and private debt instrument markets, such as government bonds, state

enterprise bonds, municipal bonds, and corporate bonds, will also be expedited.

Infrastructural improvement of the trading system, such as the development of benchmark interest rates, development of the primary dealer system, and development of the book-entry and settlement system, are crucial to achieve this goal.

Further measures include the setting up of a trading center for unlisted securities and a financial derivatives market for hedging instruments, where due consideration will be given to the appropriate method of operation and supervision of such markets.

Development of the foreign exchange market to efficiently link with the domestic money market and an increase in the number of market participants will be pursued.

To this end, the number of institutions participating as foreign exchange dealers will be increased to add depth and breadth to the market.

The establishment of new financial organizations to support financial system development, such as the Securities Finance Corporation (SSC), a special purpose vehicle (SPV), a municipal bond credit guarantee corporation and the Credit Bureau, will be expedited.

Finally, ongoing efforts will be made to develop the payment system to reduce the cost of financial transactions.

5.3 Enhancing competition and financial liberalization.

To break oligopolistic practises, encourage competition in the financial system and to adhere to Thailand's commitment in the GATS [General Agreement on Trade in Services], the domestic financial market will be opened to foreign financial institutions by 1997.

This mechanism will help integrate the domestic financial system with the global market, underscoring the policy to promote Thailand as a regional financial center.

In this process, due regard and priority will be accorded to domestic institutions, whereby five commercial bank licenses will be awarded to local institutions by the second quarter of 1996.

This will be followed by liberalization of foreign financial institutions.

The new locally incorporated commercial banks are required to set up their headquarters in regional areas to support the government's regional development policy.

The selection criteria for the new banks include capital size, management quality and the extent of share divestiture to preempt the possibility of oligopolistic behavior.

Other measures that need to be expedited include encouraging mergers and acquisitions of financial institutions, and encouraging financial institutions to open branches abroad.

Nonetheless, the present limits on foreign shareholding in locally incorporated financial institutions is considered appropriate.

For foreign financial institutions, five to seven BIBFs will be upgraded to full-branch status by mid-1996, followed by the opening of the second round of BIBF and permission for existing foreign bank branches to open additional branches.

For capital market development, the liberalization of SET [Stock Exchange of Thailand] membership and restructuring of commission fees to reflect quality of service will enhance the efficiency of the market.

5.4 Measures to support the government's provincial and rural development policy.

Specialized financial institutions and private financial institutions will play important roles in supporting the government's provincial and rural development policy, which is to diversify production bases, improve income distribution and raise the standard of living in provincial and rural areas.

In this respect, specialized financial institutions will be encouraged to provide new services, such as financing projects in rural areas, particularly for infrastructure and educational projects, and providing credit for agricultural-related supplementary occupation, the acquisition of basic needs, and financing rural self-help groups.

The role and operation of the Rural Development Fund will be boosted in order to create a market mechanism and develop the financial system of the regional areas.

The measures outlined will, in the long run, lead to more competition in extending financial services in the regional areas.

Private financial institutions, namely commercial banks, finance companies, securities companies, and mutual fund management companies, will be encouraged to open branches, sub-branches, credit extension offices and securities brokerage offices in provinces and rural areas.

Commercial banks are expected to open branches in every district that does not have commercial bank

branches within 5 years, while BIBFs' baht lending and other financial services in rural areas will help promote regional and provincial development.

5.5 Improving the efficiency of supervision of financial institutions and the financial system.

To maintain stability and solvency of the financial system, supervision and regulation of financial institutions and activities should be more advanced, efficient and in step with financial liberalization.

To this end, measures will be taken to enhance the efficiency of supervision, in terms of regulatory guidelines and techniques of supervision, in tandem with the process of financial innovation and administrative expediency.

Important measures include streamlining the risk asset ratio, provision for loan loss reserves, and strengthening controls on foreign exchange exposure.

Related laws and regulations will be amended, while new laws will be enacted to supervise financial activities, such as credit-card services, leasing, factoring, off-shore operations and money laundering. Moreover, measures to prevent conflict of interest and to improve the role of the Financial Institutions' Development Fund will also be pursued.

Supervision of specialized financial institutions will be boosted in line with the expansion of their scope of operations, and to meet international standards.

Organizational restructuring and human resource development of the supervisory agencies of the specialized financial institutions will also have to be carried out as an ongoing process.

5.6 Human resource development and promotion of business ethics in the financial industry.

To solve the human resource constraint and elevate the quality of personnel in the financial industry to meet the demand of the market, the authorities will support the work of private training institutes such as those run by the Thai Bankers Association, Association of Securities Companies, and Securities Analyst Association in training and promoting business ethics among their employees.

The authorities will also seek to set up a training institute for banking and finance that involves every financial services sector, with a view to contributing further to the education and training of the general public.

The authorities will encourage private associations such as the Thai Bankers Association, Finance Companies Association, the Association of Securities Companies,

and the Association of Investment Management Companies to institute their own regulations, code of conduct, and supervision rules, and to remain vigilant in enforcing those rules in order to create business ethics among market participants.

In this connection, the authorities will closely monitor and supervise the strict enforcement of such codes.

5.7 Developing Thailand into a regional financial center.

In order to achieve the goal of becoming an economic and financial center, ongoing efforts must be made to strongly support BIBF business, as is the case at other financial centers.

In order for the country to play a leading role as a funding center and to compete successfully with other financial centers, obstacles and limitations should be eliminated and the essential infrastructure for the proper functioning of a financial centre must be developed.

The measures that would enhance the competitive advantage of BIBF businesses are: tax privileges for out-out transactions, promotion of loan syndication activities among large corporations and state enterprises through BIBFs, and expansion of the scope of business of BIBF.

To promote development of the Thai capital market towards becoming the regional market, foreign companies that create benefits for Thailand and are owned, or partially owned, by Thai citizens will be permitted to list on the SET.

Other measures include monitoring the offshore baht market by using appropriate policy measures to prevent adverse impact on the economy, and encouraging Thai banks to open branches abroad.

Financial assistance to neighboring countries for projects of mutual benefit to Thailand and the region will be promoted, and financial and technical cooperation between Thailand and neighboring countries will help enhance the growth of Thailand and the region.

Although the financial development plan has clearly set out the measures, guidelines and procedures for implementation, its successful outcome will depend on several factors, in particular changes in the economic and financial environment of Thailand and the world.

In such cases, appropriate adjustment of the policy guidelines, measures, and timing of the plan will be adopted to ensure its successful implementation, to the benefit of the country's financial and economic growth.

Vietnam

Further on Do Muoi's Industrialization Efforts

BK0201142196 Hanoi VNA in English
1239 GMT 2 Jan 96

[FBIS Transcribed Text] Hanoi VNA January 2—Agricultural cooperatives cannot be dissolved, Party General Secretary Do Muoi confirmed recently, explaining that it was impossible to carry out the party's orientation for industrialisation of agricultural and rural areas without it being based on agricultural cooperatives, the relationship among workers, peasants and intellectuals, and guidance from the party.

The party leader was speaking with party officials of Tan Le Commune (Hung Ha District, Thai Binh Province), Toan Thang Commune (Tu Loc District, Hai Hung Province), and Tan Tien Commune (An Hai District, Haiphong City) where he made tours during the last days of 1995 to look into the activities of party cells through party congresses which are being organised nationwide at the grassroots level.

The three northern delta communes share the same characteristics of an over-crowded population, high-level intensive farming, and the development of traditional crafts. They have all recently changed for the better economically and socially as not any household was classified as poor, transport facilities have been improved, houses have been roofed with tiles and connected with national power grid. They all posted encouraging per-capita gross domestic product of between USD [U.S. dollar] 300-600 in 1995 as against the national average of around USD 200.

However, small land availability, along with the large population of the three communes has made unemployment more severe, with the party chief urging the party members at grassroots congresses to discuss this issue at length, saying it was an urgent and specific work.

Many northern localities have found a solution to the problem by boosting small industrial and handicraft production, which General Secretary Do Muoi commended saying "it is advisable to better exploit local potential to broaden handicraft production."

The party leader further stressed that "agriculture and small industry and handicrafts are twins in the process of accumulating capital. In resolutions of the Central Committee's plenum and the coming National Congress, the party has emphasized that industrialisation creates decisive steps for the country to avoid lagging behind others in the region.

All localities and grassroots party organisations are required to choose the best solution for their own industrialisation to conform to their conditions, considering

which handicraft industries to maintain, how to develop handicraft production and where to expand outlets.

Foreign Minister Reviews Achievements in 1995

BK0201142796 Hanoi VNA in English
1259 GMT 2 Jan 96

[FBIS Transcribed Text] Hanoi VNA Jan 2—Foreign Minister Nguyen Manh Cam described 1995 as a year of busy and wide external activities for Vietnam in a New Year interview with the national daily NHAN DAN.

The foreign minister spoke about the top events on the international scene and Vietnam's external relations in 1995 which was regarded as a "bumper crop" year for the country's external affairs.

On major outcomes for Vietnam's external activities in 1995, he said that last year Vietnam saw marked strides in its relations with other countries with top party and state leaders visiting many countries in Asia and the Pacific to the Middle East, Africa, Western Europe, Northern Europe, and America.

"More and more friends have come to see us as a reliable and potential partner with resounding new achievements. Within the year we received ten heads of state, ten prime ministers, four parliamentary speakers, vice presidents, deputy prime ministers, deputy parliamentary speakers, and dozens of ministerial delegations," Foreign Minister Cam stressed, adding:

"We can hardly mention the three prominent events that happened in the memorable month of July, when Vietnam became a full member of ASEAN, the signing of the framework agreement on cooperation with the European Union, and normalisation of diplomatic relations with the United States. With these strides, we have established diplomatic ties with 160 countries, including all big countries and the world's leading economic centres."

With rapidly growing "internal strength" due to important achievements in the renovation process and efforts in the foreign relations front over the past few years, Vietnam's prestige in the international arena has been raised remarkably, the chief diplomat said, adding that a new environment and favourable international conditions have therefore been created for the country to implement national construction and defence.

On measures to continue bringing these achievements into full play, Minister Cam said Vietnam, which has developed external relations widely and qualitatively, covering the whole international community, should accelerate the implementation of commitments and agreements reached with other countries with a view to mak-

ing cooperation practically effective for the country's industrialisation and modernisation programme.

He further said that with the increased proficiency and prestige in the international arena, Vietnam should positively contribute to settling ongoing global problems, by participating in multilateral forums, especially in ASEAN's activities, achieving integration in regional and international communities, and consolidating the trend of peace and cooperation for development in the region and the world at large.

"To meet such demands, it is imperative to urgently train personnel to be involved in external activities, skilled in their profession with a high knowledge of economics, science and technology, up to date with the profound and rapidly changing situation, confident in foreign languages and equipped with good ethical judgement and a firm political stance," the foreign minister concluded.

Party Congress Documents Summarized

BK2812110095 Hanoi NHAN DAN in Vietnamese
11 Dec 95 p 3

[First part of unattributed article: "Regarding Party Congresses at All Levels"]

[FBIS Translated Text] The upcoming Eighth National Delegates Party Congress [ENDPC] is very significant historically, as it marks a turning point of our country during its new development stage, the stage of industrialization and modernization for the causes of a prosperous people, a strong country, and an equitable and advanced society.

In preparation for the ENDPC, from early 1995 the party Central Committee's Secretariat has issued various directives, circulars, and correspondence on the conduct of party congresses at lower levels. The party Central Executive Committee decided, through Directive No. 51-CT/TU dated 9 March 1995, that the ENDPC would be held in the second quarter of 1996. Consecutively, Circular No. 09-TT/TU dated 12 Sep 1995 further confirmed: "The ENDPC will be conducted in June 1996." To make these decisions feasible, party congresses at all lower levels should be completed by 10 May 1996 at the latest.

Since the Seventh National Party Congress, party committees at all levels have been leading the people to intensify their efforts to overcome many difficulties and obstacles, and have recorded many significant and important achievements. The objectives worked out by the seventh congress for the period of 1991-95 have been basically fulfilled. Our country has virtually been out of socioeconomic crisis, though in some areas achieve-

ments are still not very solid. The duties for the first period of transition and preparation of the basis of the industrialization stage have been basically fulfilled; our country is now entering a new era of industrialization and modernization. The path to socialism for our country has been confirmed more strongly than ever.

The domestic and international as well as regional situation, however, still show many complicated developments, and the struggles to protect national independence and sovereignty, to build socialism, to rectify the risks of falling further behind, of political deviation, of corruption and officialdom, and especially of "peaceful evolution", still require vigorous efforts.

In the face of the new situation and new demands, party congresses at all levels need to have close direction from relevant party committees to ensure a strong demonstration of democracy, competence, and strict observation of party by-laws.

I. Requirements

The requirements for party congresses at all levels are clearly pointed out by the party Central Committee's Secretariat as follows:

1. To make a precise evaluation of the situation, achievements, and weaknesses in order to gain useful experiences from leaders of party committees and party organizations in the previous term of office, and to set up objectives and tasks for the next period; and to contribute opinions to the draft documents for national congress and congresses of higher-level party organizations.
2. To elect executive committees for party organizations and delegates to attend higher-level party congresses.
3. The process of preparation and conduct of party congresses should positively contribute to the implementation of the political tasks of party organizations, especially in fulfilling or exceeding annual targets for 1995 and 1996, and to the handling of urgent issues that concern both party organizations and the people.

II. Contents

1. Party congresses at all levels have the following duties:

- To pass the recapitulations of suggestions from all cadres and party members to the documents of the ENDPC and of higher-level party congresses.
- To issue resolutions on the orientations and tasks for party organizations in the next term of office.
- To elect new executive committees of party organizations.

— To appoint delegates to attend higher-level party congresses.

In Correspondence No. 266-CV/TU dated 12 Jul 1995 entitled "Regarding directions for party congresses at all levels", the Party Central Committee's Secretariat points out: "In order to be in line with political duties of the new era, all party committees at grassroots levels, regardless of whether their terms of office expire this time or not, should conduct party congress to: Discuss the reports of higher-level party congresses; work out orientations and tasks for the next term of office; appoint delegates to attend higher-level party congresses; and elect new executive committee. As for party organizations at grassroots level that have difficulty in preparing their party congress, they can reduce the contents of the party congress to include only the discussion of documents and the appointment of delegates for higher-level party congresses. The orientations and tasks, and the election of new executive committee can be done after the party congresses at district and precinct levels."

2. Regarding discussion of documents at the central level.

Based on the guidance from the Party Central Committee's Secretariat (PCCS), party committees of provinces, cities, and centrally-managed party committees conduct conferences for their cadres and party members to study and discuss the documents of the Eighth National Delegates Party Congress [ENDPC]. They will also put all opinions into documents and get the party congresses to endorse the documents, which should then be forwarded to the PCCS.

In Circular No. 09-TT/TU dated 12 Sep 1995, the PCCS gave further guidance on discussion of political reports and on the schedule of party congresses as follows:

a. Party congress at grass-roots level:

— To discuss and approve reports that collect opinions from party chapters on the national political report and the draft of amended party by-laws.

— To discuss political reports of party congresses at district, precinct, or similar levels.

— To discuss reports on the orientations and tasks of party organizations at the grassroots level, with an accommodation of suggestions from ancillary party chapters.

Party organizations at grassroots level that have already conducted party congresses but have not discussed the documents referred to in this circular should conduct further discussion sessions and submit reports on suggestions to a higher authority.

The timeframe for congresses of party organizations at grassroots level is determined as from December 1995 to January 1996.

b. Party congress at district, precinct, or similar levels:

— To discuss and approve reports that collect opinions from congresses of party organizations at the grassroots level and reports on conferences of expanded district party committees to discuss the national political report and the draft of amended party by-laws. All documents should then be forwarded to party congresses at the provincial level.

— To discuss political reports of party congresses at province, city, and centrally-managed party committees levels.

— To discuss reports on the orientations and tasks of party organizations at district and precinct levels.

The timeframe for party congresses at district, precinct, or similar levels is determined as from February to March 1996.

c. Party congresses at province, city, and centrally-managed party committee levels.

— To discuss and approve reports that collect opinions from congresses at district and precinct levels and reports from conferences of expanded party committees of provinces and cities to discuss the national political report, the national socioeconomic report, and the draft of the amended party by-laws. All documents should then be forwarded to the party Central Committee.

— To discuss political reports of party congresses at province, city, and centrally-managed party committee levels, with the accommodation of suggestions from party congresses at district, precinct, or similar levels

The timeframe for party congresses of provinces, cities, and centrally-managed departments is from 1 April to 10 May 1996.

3. Regarding reports of executive committees for congresses.

Party committees should base themselves on the resolutions of party congresses of the previous term of office and guidance from a higher level to review and set up objectives and tasks, with special attention being paid to socioeconomic development, improvement of the people's livelihood, the safeguarding of national defense and security, mass mobilization, party renovation and rectification, and so forth.

Party congresses of provinces and cities can have specialized reports on the socioeconomic development plan for 1996-2000.

Circular No. 09-TT/TU stressed:

— Based on the draft national political report, which will be circulated in due time, party committees of provinces, cities, and centrally-managed party committees prepare their own reports and provide guidance to lower-level party organizations to prepare reports, to ensure close reflection of the real circumstances of localities or units.

— Party committees should conduct expanded conferences before their party congresses to discuss and contribute opinions to the national political report, the draft amended party by-laws, and the national socioeconomic report. These documents, together with suggestions, will then be further discussed and approved by relevant party congresses.

New Zealand

Australia-Indonesia Security Pact Viewed

BK0301124096 Christchurch THE PRESS in English
28 Dec 95

[Article by Stuart McMillan: "Keating's Secret Security Deal" — received via Internet]

[FBIS Transcribed Text] Not least of the surprising things about the security agreement made this month between Australia and Indonesia is that it was kept secret. A number of people have said that they think such a serious matter should not have been kept secret, but apart from the principle actually keeping it secret was a considerable achievement. Canberra normally leaks in a manner that makes a sieve look like a vessel designed to hold water. Paul Keating, the Prime Minister, is reported to have remarked with satisfaction as he slapped the agreement on the Cabinet table that this was one which did not leak.

The second surprising thing about it is that it is unusual for countries to enter into such security agreements at this time. True, various countries which once formed part of the Eastern bloc want to join the North Atlantic Treaty Organisation to give them some sort of a guarantee against Russia, but Australia's agreement with Indonesia is an arrangement between two countries where none existed previously. Such new agreements are now very rare.

The third surprising thing is that it is between Indonesia and Australia. Probably a little too much has been made historically of Australian fears about Indonesia, but Indonesia has played a significant role in Australia's thinking about its own defence and defence in the region. Now a security arrangement has been reached between them. It is not a non-aggression pact, and certainly not something that commits either country to an automatic response if the other feels threatened, but it does commit the two to consultation on security matters.

The agreement has three significant clauses. They are worth quoting in full:

Article 1. The parties undertake to consult at ministerial level on a regular basis about matters affecting their common security and to develop such co-operation as would benefit their own security and that of the region.

Article 2. The parties undertake to consult each other in the case of adverse challenges to either party or to their common security interests and, if appropriate, consider measures which might be taken other individually or jointly and in accordance with the processes of each party.

Article 3. The parties agree to promote — in accordance with the policies and priorities of each — mutually beneficial co-operative activities in the security field in area to be identified by the two parties.

The agreement is about security, not about defence. It is not a straight military agreement. In the Asia-Pacific region in particular, the term security has come to have a much broader meaning than things military. It extends across a whole range of concerns from mass migration to diseases that might threaten a country's viability or defence arrangements. There is no mention of threats as such. Instead, the two countries will consult each other in the case of adverse challenges. The language chosen is a clear attempt to get away from any old notions of threat.

There is nothing automatic about any response. Although most security treaties do not commit a country automatically to a military or other response, the Australia-Indonesia Agreement on Maintaining Security is more vague than most on the point. By contrast Article 4 of the ANZUS [Australia-New Zealand-U.S. Defense Pact] Treaty says: Each party recognises that an armed attack in the Pacific area on any of the parties would be dangerous to its own peace and safety, and declares it would act to meet the common danger in accordance with its constitutional processes.

And Article 5 of ANZUS says: For the purposes of Art. 4, an armed attack on any of the three countries (the United States, Australia, and New Zealand) would be deemed to include 'an armed attack on the metropolitan territory of any of the parties, or on the island territories under its jurisdiction in the Pacific, or on its armed forces, or aircraft in the Pacific'.

Both Paul Keating and Gareth Evans, the Foreign Minister, have spelled out that adverse challenges refers specifically to external events, and not to any internal disturbances. Ali Alatas, the Indonesian Foreign Minister, also said that the agreement had nothing to do with internal problems on either side.

From Indonesia's perspective the agreement between the two countries does not amount to a defence alliance. Ali Alatas specifically denies that it is a defence agreement. Indonesia is the immediate past chairman of the Non-Aligned Movement and a defence treaty would go against the policies of the country. He says that Australia and Indonesia have security interests in common. He was asked about perceived threats and replied that Indonesia and Australia have common perceptions of what could constitute a threat to the whole region, not so much to Indonesia or to Australia as such. He cited a threat to the equilibrium of forces among the major powers, or a flare-up between China

and Taiwan, or a heightening of tension on the Korean peninsula.

Australia's motives for entering the arrangement are diverse. Some of Mr Keating's personal agenda has also entered the equation.

One motive lies in Australia's need to be seen as belonging to Asia. Like New Zealand, and earlier than New Zealand, Australia has looked towards Asia. Like New Zealand there has always been an issue of the country being regarded as being part of or at least accepted by Asia. The security arrangement between Australia and Indonesia ties Australia more fully into East Asia.

In defence and strategic terms the move is significant. Even if Indonesia is not regarded as posing any sort of a threat to Australia, Australia has long regarded any threat as coming towards its north. That was part of the reason why Australia shifted its main land forces to Darwin. By entering into a security arrangement with its most immediate neighbour to the north, Australia has a co-operative friendly country there.

A third motive lies in an aspect of the defence treaty linking Australia with Britain, Malaysia, New Zealand, and Singapore — the Five-Power Defence Arrangement (FPDA). This was established largely against Indonesia.

Even though the confrontation period between Indonesia and Malaysia has long passed, Indonesia still regards that defence treaty with some irritation. It has sometimes argued that the FPDA should be abandoned and a new treaty that includes Indonesia should be concluded. The security agreement between Australia and Indonesia will be of greater moment than the FPDA and might annul Indonesia's concerns.

It would be alarmist and exaggerated to consider that the new agreement is designed as any bulwark against China. It should nevertheless be observed that it was concluded at a time that the whole of the region is coming to terms with the rising power of China.

The conclusion of a security agreement with Indonesia will also have some importance in the formation of domestic opinion in Australia. If the Australian public still has to be persuaded that Australia's future lies with East Asia, then the security agreement will be important.

It can be regarded as a visionary gesture — an affirmation of a self-confident Australia looking not towards Europe or the United States, but towards Asia. Australia's friends were told of the agreement only hours before it was announced publicly. The United States was told first but this was mostly because of the time difference. It would have been early hours in the morning in Washington if the United States had been told at the same time as regional countries.

The Australian election early next year also played a part in Mr Keating's calculations. A foreign-policy coup will help Mr Keating's re-election chances.

The strongest criticism in Australia has so far come from those concerned about East Timor. The Australian Government maintains that Australia will not be hindered in expressing its concerns about any Indonesian actions in East Timor. The proof of that pudding will be in the eating. Jose Ramos Horta, the East Timorese leader, was concerned lest Australia would hand over to Indonesia any East Timorese dissidents living in Australia. That certainly would outrage Australian public opinion. But the Australian Government knows that.

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